

# Yamada Denki Group

CORPORATE REPORT 2017



Yamada Denki Group Corporate Report 2017 uses paper certified by FSC® and vegetable-oil-based ink.







# We will continue our efforts toward "Creation and Challenge" for the purpose of creating new value that we can share with the society.

With "Creation and Challenge" and "Appreciation and Trust" as the management philosophy, Yamada Denki has constantly conducted innovation for the growth of the company and the development of a sustainable social environment.

We will further endeavor to maximize the synergy effect among the Yamada Denki Group as an IoT company with the largest service network in Japan.

Now we are in third start-up period, and will continue social and environmental contributions through our business and efforts to enhance our corporate value.



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## Editorial Policy

The Yamada Denki Group has issued CSR Reports to disclose information concerning its social responsibility and has continuously fulfilled its accountability, while promoting mutual communication with stakeholders.

In line with the trend in European countries to adopt integrated reporting (integrating financial and nonfinancial information), we have published the Yamada Denki Group Corporate Report, which also contains the content of conventional CSR Reports, since 2016 as a comprehensive communication tool integrating company financial and non-financial information, while referring to the International Integrated Reporting Framework publicized by the International Integrated Reporting Council (IIRC).

The CSR activities especially attracting stakeholders' attention, such as those relating to ESG, are introduced in this report and are also available on our website. We are committed to achieving our corporate philosophy through business activities and contributing to the creation of a sustainable society.

**[Scope of Activities Covered by the Report]**  
This report generally covers the entirety of the Yamada Denki Group, but some of the data show only the activities of Yamada Denki Co., Ltd.

**[Period Covered by the Report]**  
Data are mainly for the period between April 1, 2016 and March 31, 2017 and some significant information available after April 2017 is additionally included.

**[Issued Date]** June 2017

**[Guidelines Referred to]**  
"Sustainability Reporting Guidelines (ver. 4)" (GRI\*) and "International Integrated Reporting Framework" (IIRC)

\* GRI: Global Reporting Initiative – International organization established in 1997 for the purpose of creating global guidelines for reports on sustainability issued by companies

**[Disclaimer]**  
Information stated in this report, except for historical facts, is based on various presumptions and premises we made as of March 31, 2017. By its nature, this information is not guaranteed to turn out to be true in the future, and there may possibly be a significant gap from actual outcomes or the information itself may be objectively incorrect, which may be caused by a number of factors leading to uncertainties and risks. Contained future plans, numerical goals, and measures are not necessarily guaranteed to be achieved or implemented. Actual performance may differ from planned numerical goals depending on changes in the business environment or other diverse uncertain factors. This report aims to merely provide information and is not intended to be used for soliciting investments. Officers and employees of Yamada Denki Co., Ltd. and other group companies assume no responsibility for any direct, indirect or secondary damage or loss resulting from the use of this report or arising from the content thereof.

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# Management Philosophy and ESG-related Initiatives

In our management philosophy, we clearly declare our commitment to social contribution. In order to help achieving a sustainable society, we will continue our business activities while placing importance on CSR as an important managerial issue. We focus on five major themes, *Compliance, Working Environment, Environment Protection, Customer Satisfaction, and Employee Satisfaction*, based on the Environment, Society and Governance (ESG) criteria, and have actively engaged in CSR activities to achieve goals separately set up for each of these five themes. We have tried to broaden and deepen our business potential, with the sale of home appliances as the core of our business, while continually demonstrating innovation under our

management philosophy. We have thus contributed to enhancing customer convenience and preserving the global environment, while conducting business by making the most of the synergy among our group and creating new value. We will continue our company-wide efforts in response to various problems as well as customers' opinions and requests in order to create new value that we can share with the society. We will further promote CSR activities, keeping the need to show appreciation to and maintain the trust of our stakeholders in mind, with the aim of being a corporate group continuing to grow together with the society.

## Management Philosophy

### "Creation and Challenge"

With "Appreciation and Trust," we achieve the goal of being a strong company and further strengthen our corporate value on a company-wide scale, for the sake of contributing to society.

## Yamada Denki's Code of CSR Ethics

### 1 Building up Trust

- ① To be a trusted company by conscientiously honoring any promises with customers and any engagements with business partners.
- ② To recognize our social responsibility and properly manage a variety of information in order to create reliable environments for our customers to enjoy shopping.
- ③ To release appropriate and transparent financial statements based on the Financial Instruments and Exchange Act (also known as the J-SOX law).
- ④ To retain stakeholders' confidence by disclosing corporate information in a timely and appropriate manner.
- ⑤ To gain firm trust from society through solid outstanding management

### 2 Ensuring the "Customer First" Approach

Based on the "customer first" approach, we master a high level of product knowledge and provide decent services. To ensure customer satisfaction and gain their support, we make efforts to provide products and services that meet customers' needs.

### 3 Complying with Laws, Regulations and Social Customs

We conduct corporate activities in a fair and conscientious manner in compliance with all laws, regulations and rules.

### 4 Fair Transactions

Yamada Denki always conducts fair transactions with business partners, giving consideration to both interests. We adopt a decent and considerate attitude in conducting transactions with customers, to increase mutual understanding and prevent misunderstandings regarding transaction details.

### 5 Respecting Human Rights

Yamada Denki builds up a corporate culture, according to which employees respect each other's personality and characteristics and which banishes sexual and power harassment.

### 6 Making Efforts in Environment Protection

We recognize that environment problems are serious global challenges and thus actively engage in environmental programs for energy saving, recycling and other goals.

### 7 Contributing to Local Communities

Yamada Denki understands that stores exist within the communities and require appreciation and support of the community members for their existence. We contribute to local culture by co-existing with local people.

## ESG-related Initiatives

The Yamada Denki Group is promoting business activities from the perspectives of environment, society and governance (ESG). As a leading company in the home appliance distribution industry, we have anticipated social changes such as the declining birthrate and the aging of the population, and have taken proactive measures for solving environmental

and various other issues. We will continue to develop our solution businesses that will lead to the solution of social problems through mutual communication with stakeholders, thereby contributing to the creation of a sustainable society.

### Environmental Aspects

- ▶ Established and publicized the Environmental Policy
- ▶ Acquired ISO14001 certification for the headquarters
- ▶ Promoting the sale of energy-efficient electric home appliances
- ▶ Realized a one-stop system for reuse and recycling of electric home appliances and PCs
- ▶ Reducing the environmental impact in business operations
- ▶ Promoting environmental education, etc.

### Social Aspects

- ▶ Established the Code of CSR Ethics
- ▶ Established and publicized Yamada Denki's Sourcing Policy
- ▶ Pursuing improved customer satisfaction
- ▶ Pursuing improved employee satisfaction
- ▶ Engaging in social contribution activities
- ▶ Established the public interest incorporated foundation Yamada Noboru Memorial Foundation

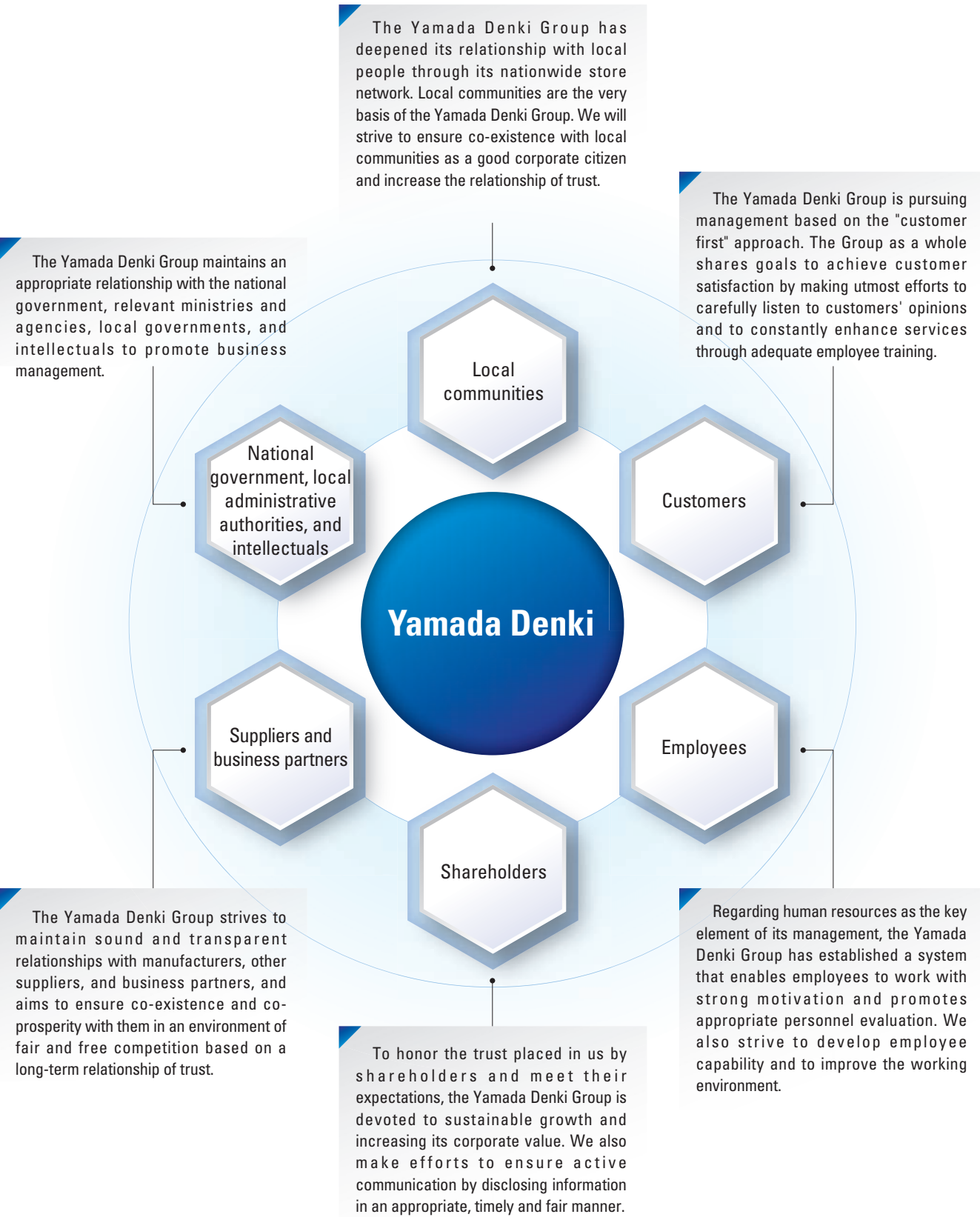
### Governance Aspects

- ▶ Introduction of the Compliance Committee
- ▶ Introduction of the Risk Management Committee
- ▶ Introduction of the executive officer system
- ▶ Introduction of the whistle-blowing system
- ▶ Holding of Group CSR Meetings etc.

# Engagement with Stakeholders

The Yamada Denki Group believes that the essence of CSR is to build a relationship wherein group companies and various stakeholders, including customers, shareholders, suppliers, business partners, employees and local communities, can trust and appreciate each other. We hope to strengthen our long term bond with

stakeholders continuously by proactively coping with ESG problems and achieving a sustainable growth as a business group, thereby contributing to the creation of a sustainable society.





# History of Value Creation

The Yamada Denki Group originated as a private electric goods store established in 1973. Under "Creation and Challenge" and "Appreciation and Trust" as our management philosophy, we have constantly facilitated innovation for the sustainable growth and development of the company. We consider the time when we commenced business as the first start-up period, and the time when we changed ourselves from a community-based general shop to a mass merchandiser as the second start-up period. We are now in the third start-up period. With such awareness, we are adopting a proactive business approach while envisaging future development.

We are the only electrical home appliance merchandiser in Japan that has a store network covering the whole country. Making the most of such high-density service network, we will strengthen collaboration among group companies and make efforts to broaden and deepen our

business range centered on the sale of home appliances in order to respond to rapidly changing market environment, such as the declining birthrate and the aging of society, population decrease, and development of the Internet society. We aim to be an IoT\* company with the largest service network in Japan through the cultivation of various solution businesses and other innovative business development, from the viewpoint of customers and based on a downstream perspective, as well as through proactive initiatives for continuously enhancing corporate value from the medium- and long-term perspectives.

\* IoT  
The abbreviation of "Internet of Things" meaning new services achieved when all things are connected via the Internet; The concept of IoT varies by company and the term here refers to IoT as considered from Yamada Denki's original viewpoint.

## Aiming to be an IoT company with the largest service network in Japan

<b>1973</b> Electrical appliance store founded as a one-man business in Maebashi, Gunma Prefecture	<b>1978</b> Stores increased to five and turnover of ¥600 million achieved	<b>1983</b> Yamada Denki Co., Ltd. established	<b>1989</b> Shares traded over the counter in store	<b>1990</b> First Swiss Franc-based convertible bonds issued	<b>1997</b> Turnover of ¥100 billion achieved	<b>2000</b> Shares listed on the First Section of the Tokyo Stock Exchange	<b>2001</b> The largest turnover as an electrical home appliance merchandiser in Japan	<b>2005</b> Turnover of ¥1 trillion achieved for the first time in Japan as an electrical home appliance merchandiser	<b>2010</b> Turnover of ¥2 trillion achieved for the first time in Japan as an electrical home appliance merchandiser	<b>2015</b> Medium-term business plan publicized
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### Strengthening of Business as an Electrical Home Appliance Merchandiser

<b>1981</b>	Shift from an affiliated store to a retailer dealing with products from multiple manufacturers
<b>1986</b>	Franchise chain development after the opening of the first FC store in Saku-shi, Nagano Prefecture
<b>1987</b>	Tecc Land Head Store opened as the first large-scale general home appliance store (core store)
<b>1992</b>	Withdrawal from the Nippon Electric Big-Stores Association (NEBA)
<b>1998</b>	Full-fledged sales activities targeting corporate customers
<b>2002</b>	Acquisition of shares of Daikuma Co., Ltd.
<b>2005</b>	First electrical home appliance merchandiser in Japan that has achieved the establishment of a national chain covering the whole country
<b>2006</b>	First branch of the large urban store LABI opened in Nanba, Osaka Prefecture
<b>2009</b>	Japan Flagship Store Ikebukuro opened, sited in front of Ikebukuro Station
<b>2010</b>	Yamada Denki Shenyang Store opened in Shenyang, China
<b>2012</b>	Best Denki Co., Ltd. acquired as a subsidiary
<b>2015</b>	Concept LABI TOKYO, the most advanced concept for transmitting information in a store format, opened at the Yaezu exit of Tokyo Station
<b>2016</b>	LABI LIFE SELECT TACHIKAWA, a store comprehensively producing the latest futuristic living styles, opened in front of Tachikawa Station
<b>2017</b>	LABI LIFE SELECT SENRI, a store offer total service for enriching people's lives, opened in front of Senri Chuo Station



### Expansion of Network Services

<b>1984</b>	A delivery center established in Asakura-machi, Maebashi-shi for strengthening functions and enhancing efficiency of the distribution sector
<b>1986</b>	The POS system and large general-purpose computers introduced at all stores for speedily compiling financial information and customer information
<b>1988</b>	Strategy to integrate specialized stores and software providing stores commenced
<b>1991</b>	TEC Information Systems Corporation, a computer-related development and sales company, established
<b>1995</b>	Based on a decision to build an original distribution network, the initiative to expand business to western Japan commenced
<b>2005</b>	Directly operated stores opened in all 47 prefectures
<b>2011</b>	SxL Co., Ltd. acquired as a subsidiary
<b>2012</b>	Housetec Inc. acquired as a subsidiary
<b>2013</b>	Yamada Wood House Co., Ltd. established
<b>2013</b>	Renewal open of Yamada Denki Internet Shopping store under a new name, YAMADA WEB COM
<b>2014</b>	Expansion of reuse & outlet stores
<b>2015</b>	Electronic warranty services and loyalty point guarantee services introduced for the first time in the industry
<b>2015</b>	Housetec Showrooms developed within Yamada Denki stores
<b>2016</b>	Basic agreement on exclusive sales in Japan concluded with FUNAI ELECTRIC CO., LTD.



### Enhancement of Social Value

<b>1973</b>	Management philosophy "Creation and Challenge" established
<b>1991</b>	Magokoro Kindness Promotion Office set up
<b>1994</b>	Comprehensive maintenance service "The Anshin" started
<b>1997</b>	Established C.I.C. Corporation, an entity that gives due consideration to environmental issues
<b>2001</b>	The Yamada Denki loyalty point system introduced
<b>2003</b>	The first year to commence efforts to promote improvement of customer satisfaction
<b>2003</b>	Project to promote the internal qualification system commenced
<b>2004</b>	Sosei Juku education facility established
<b>2004</b>	Women's track and field team established
<b>2005</b>	Received a Dark Blue Ribbon Medal from the emperor for donation activities after the earthquake in Sumatra
<b>2007</b>	CSR Office set up
<b>2007</b>	Code of CSR Ethics established
<b>2007</b>	Promotion of company-wide participation in management; Improvement proposal system introduced



<b>2008</b>	New company building constructed in Takasaki-shi, to which the headquarters was relocated
<b>2009</b>	Awarded the Excellent Partner Prize from the Green Energy Partnership initiative
<b>2011</b>	ISO14001 certification acquired for the Headquarters in Takasaki
<b>2013</b>	Selected for the 3rd Corporate Activity Award by the Tokyo Stock Exchange
<b>2014</b>	Donation of PCs and monitors to the Republic of Palau
<b>2014</b>	The Yamada Noboru Memorial Foundation shifted from a general incorporated foundation to a public interest incorporated foundation
<b>2015</b>	Risk Management Committee established
<b>2016</b>	Start the Action Plan for promoting women's participation.
<b>2016</b>	Introduction of Digital Equipment Support Stations, which offer total services for digital equipment ranging from consultation to repair
<b>2017</b>	Start the Education Program for next-generation leaders
<b>2017</b>	Yamada Denki Women's Track and Field Team renamed as Yamada Denki Track and Field Team





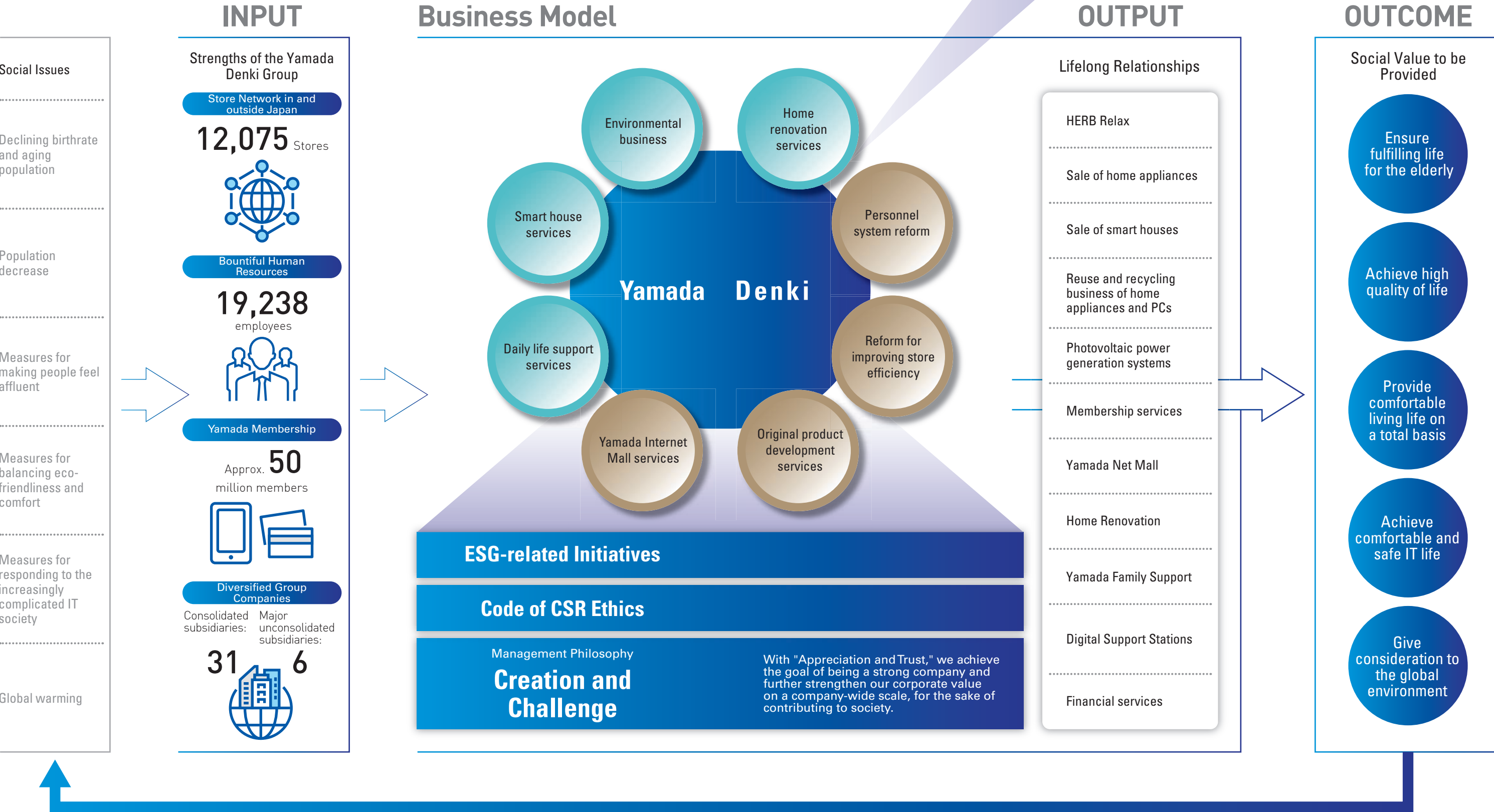
# Process of Enhancing Corporate Value

## For Sustainable Enhancement of Corporate Value

The Yamada Denki Group has been carrying out various business activities using diverse funding for solving environmental and social problems, such as the declining birthrate and the aging of the population. Our efforts include promotion of dissemination of renewable energy, provision of energy-efficient houses, and

development of reasonable, safe and convenient services to support customers' daily lives. We anticipate societal change, and will endeavor to further enhance the social value of our group through our solution business by making the most of the synergy effect among the group.

Aiming to be an IoT company with the largest service network in Japan





## TOP MESSAGE

# Strengthening of Structural Reform Based on the Hands-on Approach

With this fiscal year's management slogan, to firmly follow a hands-on approach, we will further strengthen and promote the structural reform under the management system centering on the three representative directors.

**To achieve our goals, we will thoroughly implement the required policies based on the hands-on approach.**

**YAMADA Noboru**

Representative Director, Chairman and Chair of Board of Directors



### Market Environment and Business Performance for Fiscal 2016

In fiscal 2016, the domestic economy continued a moderate recovery thanks to the national government's economic policies and the financial policies of the Bank of Japan, while the financial markets significantly fluctuated with yen appreciation due to the slowdown in economic growth in China and emerging countries and the issue of Brexit. A sense of uncertainty about the future thus remained throughout the year. In the home appliance distribution industry, the prolonged market downturn due to reactionary demand decreases after the end of the eco-point

system and the shift to digital terrestrial broadcasting seems to have bottomed out. Under such severe market environment, years of structural reform in Yamada Denki Group have started to yield results steadily and significantly contributed to improving the overall business performance.

### Progress in Structural Reform under the New Management System

Yamada Denki publicized a new management system centering on the Chairman, Vice Chairman and President in January 2016 and started it from April 2016.

Division of roles among the three

representative directors has been clarified. I, as Chairman, take charge of the creation of new businesses. As Vice Chairman, ICHIMIYA promotes the structural reform and implementation of the Medium-term Business Plan, and President-Director KUWANO takes responsibility for existing businesses and human resources development. Efforts under this management system have started to yield results steadily since the latter half of fiscal 2016, and we are feeling confident in the progress of the initiatives conducted in collaboration among the three representative directors.

Regarding the creation of new businesses, which I take charge of, we have been developing various house-related businesses



as total services by organically linking new businesses and existing businesses, while looking for potential growth, despite facing the anticipated deceleration of growth in the domestic home appliances market. We are expecting a significant business improvement in FY2017 through the promotion of the structural reform and upfront investments based on the original business model to pursue broadening and deepening of the business range as a specialized home appliances merchandiser.

Vice Chairman ICHIMIYA promotes structural reform in each sector, such as the development of products and stores, and has achieved significant progress. He has succeeded in concluding an agreement on exclusive sales of FUNAI-brand LCD televisions, etc. in Japan. President-Director KUWANO is leading the initiatives to increase sales and improve profit margins through strengthening existing businesses, centering on the sale of home appliances, and to develop human resources including female staff.

### Promote Improvements for Achieving Goals Based on the Hands-on Approach

The market environment surrounding Yamada Denki has been changing rapidly, as the result of declining birthrate and the aging population, population decline, changed

generational composition, and increasing use of the Internet. We are facing a significant business turning point with new problems posed by such changes in society. Structural reform has become critical to overcome these problems. The results of the reform are starting to appear, but we have only reached the half-way point. We have made various improvements for solving problems and have reaffirmed that answers are always found on site. We set up the management slogan for fiscal 2017 as "Achieve goals by thoroughly implementing required policies fully based on the hands-on approach!" We will firmly follow this idea and promote the reform steadily.

In the process of making efforts under this slogan, all staff are required to share information of problems with responsible personnel and cooperate with each other in solving problems. Additionally, such process will facilitate the development of human resources and enable us to achieve minor goals leading to major goals.

### Endeavor to Create Social Value through Sustainable Growth

One of the strengths of the Yamada Denki Group is that we can offer both services relating to products and those relating to expert service and solutions. Fully utilizing the network of group companies, we offer integrated services for a house, covering the range of activities from the sale of a house

and home appliances to renovation, insurance, Yamada Family Support, and housing finances in the financial business. What we envisage is lifelong relationships with customers from the cradle to the grave. To reach such goal, we always properly ascertain customers' needs and will actively utilize big data of members' information accumulated for years.

Regarding the creation of new businesses, which I take charge of, the priority is to be placed on the development of the renovation business, smart house business, financial services business, and various support service business, as well as occasional M&As of these four businesses. Vice Chairman ICHIMIYA and President-Director KUWANO will also steadily promote respective priority measures and we will continue an all-out effort to achieve our goals.

Continuing efforts to steadily cope with a wide range of challenging problems is the business attitude of the Yamada Denki Group based on its management philosophy. We are committed to making an overall effort for sustainable growth and development as a company group continually taking on challenges for the creation of social value, thereby making a social contribution.



## Strengthening of Structural Reform Based on the Hands-on Approach

**We will continue promoting the structural reform proactively.**

**ICHIMIYA Tadao**

Representative Director,  
Vice Chairman and CEO



### Improvement of Gross Profit Ratio

In fiscal 2016, we have improved profit margins and reduced selling, general and administrative expenses through the structural reform and continued aggressive efforts in new business fields, with the sale of home appliances as the core of our business. Using big data, the focus has been shifted from products to expert service and solutions, which increased the number of visiting customers, the percentage of repeat visitors, and the efficiency in sales promotion activities, leading to an improved gross profit ratio. The effect of the structural reform since the closures of many unprofitable stores in the first quarter of 2015 has finally started to appear in this manner.

### The Basis of the Structural Reform Exists on Site

I take charge of the structural reform and implementation of the Medium-term Business Plan. Our structural reform is starting to yield results, although we have only reached the half-way point. In promoting the structural reform, we need to constantly ascertain problems and current status and make improvements as necessary. For that purpose, the hands-on approach is very important. Believing that the basis of the structural reform exists on site, I frequently go out into the field and consider how to promote the structural reform and how to have staff

members take the necessary actions for particular situations.

The Medium-term Business Plan, from the point of long-term vision, is for the achievement of an IoT company with the largest service network in Japan in order to realize sustainable growth of the Group and respond to expectations of stakeholders. We will endeavor to fulfill the plan through proactively carrying out the following eight concrete measures as the structural reform: (i) environmental business, (ii) Yamada Net Mall services, (iii) smart house services, (iv) renovation services, (v) daily life support services, (vi) original product development services, (vii) reform for improving store efficiency, and (viii) personnel system reform. We will carry out these reform measures simultaneously with the aim of achieving the Medium-term Business Plan leading up to fiscal 2019.

### Agreement on Exclusive Sales of FUNAI-brand Products in Japan

The structural reform for the development of products and stores is yielding results, which include the conclusion of the basic agreement on exclusive sales of FUNAI-brand LCD televisions and Blu-ray recorders in Japan. FUNAI ELECTRIC CO., LTD. has acquired a top level market share in North America and has high technological capabilities and production capacity. Its products are highly reliable and we want to

further enhance the prestige of the brand in a cooperative manner. Yamada Denki is authorized to exclusively sell FUNAI-brand products for the coming ten years. We will launch the full lineup of the products and sell them using our nationwide network to achieve the goal of acquiring a 5% share in the domestic TV market. If successful, this will be a new business model and verify the Yamada Denki Group's competence.

Regarding the strengthening of the structural reform, we will make intensive efforts for achieving the major goals: "advanced store development integrating real and virtual spaces, and stabilization of profits," "development, renewal and abolition of products, and improved ratio of gross margin to inventory," and "increased profits from respective solution businesses."

### Steady Implementation of the Medium-term Business Plan and Other Business Plans

The top priority is to conduct business based on the strengths of the whole group, including bountiful human resources, for the purpose of fulfilling our social responsibility as expected by our stakeholders, and steadily achieve results in our business activities, while shifting the focus from products to expert service and solutions. As one of the representative directors, I will responsibly promote steady implementation of the Medium-term Business Plan and other business plans.

**We will balance the enhancement of profitability of existing businesses and the improvement of working conditions.**

**KUWANO Mitsumasa**

President-Director,  
Representative Director and COO



### Increase of Sales through Strengthening of Existing Businesses

In fiscal 2016, as in the previous year, the home appliance distribution industry as a whole has suffered the influence of the declining birthrate and the aging of society, population decrease and the development of the Internet society. Under such circumstances, Yamada Denki succeeded in improving the profit ratio through strengthening and promoting the structural reform.

I take charge of existing businesses and have been working on human resources development and increase of sales through strengthening of existing businesses. While promoting measures for increasing the number of visiting customers and the average sale per customer, we started a concierge service at Concept LABI TOKYO located at Yaesu, Tokyo, in 2016. This new service is highly evaluated by customers and has also increased motivation of employees.

### Measures for Increasing Sales through Strengthening of Existing Businesses

In the field of existing businesses, which I take charge of, six priority goals are set up.

The first is the improvement of customer service and inventory. We are endeavoring to optimize and maximize staff assignment and quality by employing planned work shifts and

flexibly responding to customers' needs to ensure that they can enjoy shopping confidently and comfortably. Additionally, the headquarters and the center lead thorough inventory management to secure a lineup of products.

The second is profit management. Managing profits for achieving targeted gross revenue, not just selling goods at low prices, is important. I will place stress on this, together with employee training.

The third is the promotion of quantitative sales by area. Respective stores in the Yamada Denki Group should not deal with the same products uniformly but should flexibly devise an original lineup of products depending on the season, area, and the attributes of visiting customers. Even as the company size expands, respective stores are required to ascertain customer needs and share information in order to make meticulous responses.

The fourth is the increase of profits of services businesses through enhancing sales promotion activities. At present, the Yamada Denki Group offers various services such as IoT business and the sale of houses. We will develop better sales promotion means in accordance with individual customers' needs by properly and efficiently utilizing information obtained from customers.

### Measures for Human Resources Development

The remaining two goals relate to human

resources development.

The fifth is the revitalization of human resources through education. As the percentage of part-timers is increasing, we will strengthen education and management of personnel. For employees who cannot move due to family circumstances, etc., we will introduce an area limited employment system, thereby creating working conditions under which such employees can also continue working with peace of mind.

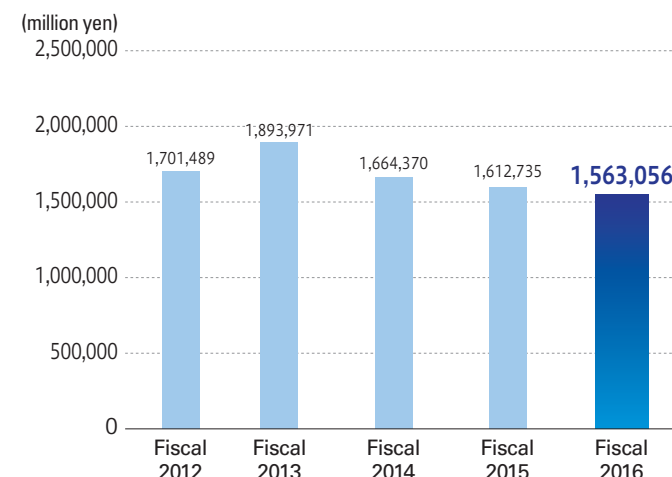
The sixth is the enhancement of CS and personal development. Yamada Denki sells not only home appliances but also houses including everything therein and can provide customers with proposals covering the entirety of their daily living needs. Accordingly, we encourage employees to positively obtain external qualifications, such as those for a certified electric home appliance advisor and a certified smart master. Such efforts will lead to upskilling and confidence development of employees and will also contribute to increasing customers' trust and satisfaction.

All employees including officers will steadily make efforts for these six priority goals and further endeavor to create profits through continuing the structural reform, aiming to be a company constantly contributing to all stakeholders of the Yamada Denki Group in order to create new social value.

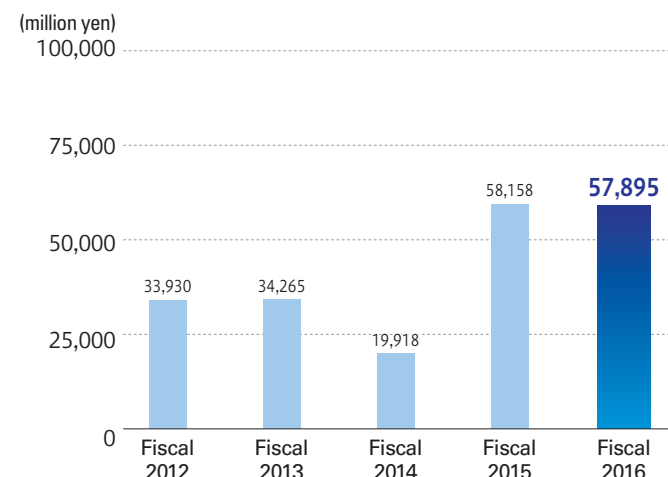


# Financial and Non-Financial Highlights

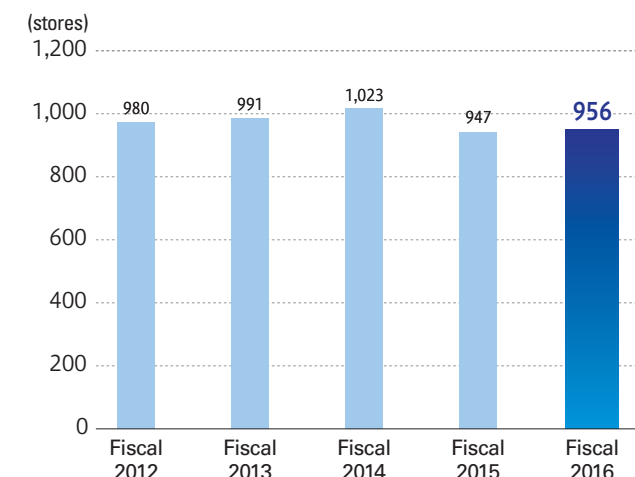
## Consolidated Sales



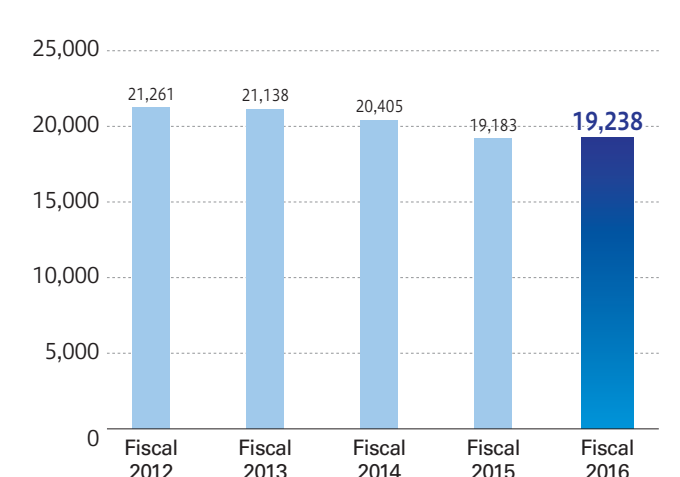
## Consolidated Operating profit



## Number of Stores Directly Operated by the Yamada Denki Group

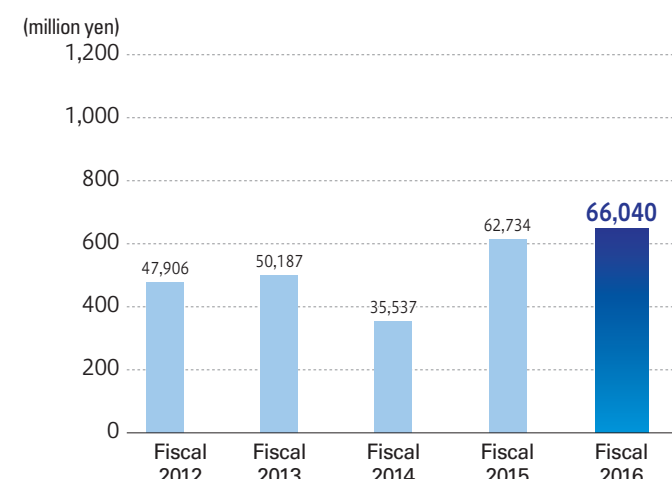


## Consolidated Number of Employees

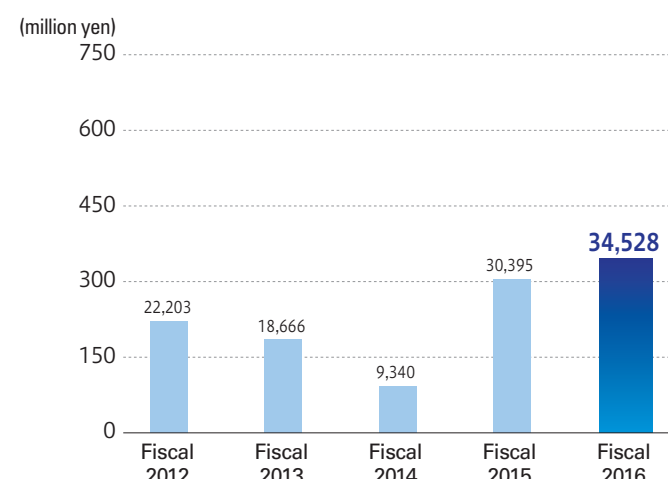


\* Excluding average number of temporary employees

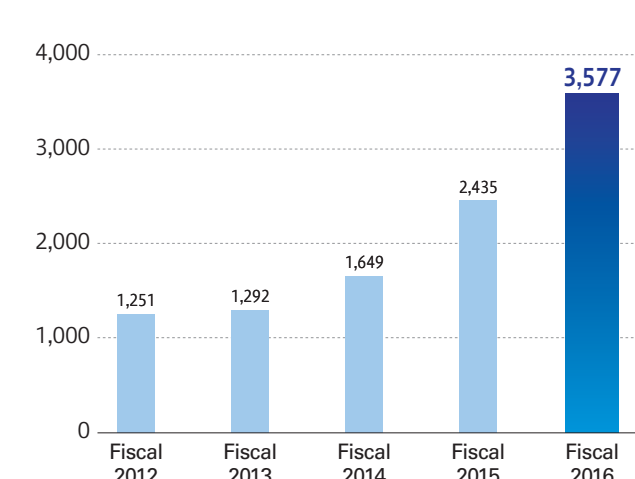
## Consolidated Recurring Profit



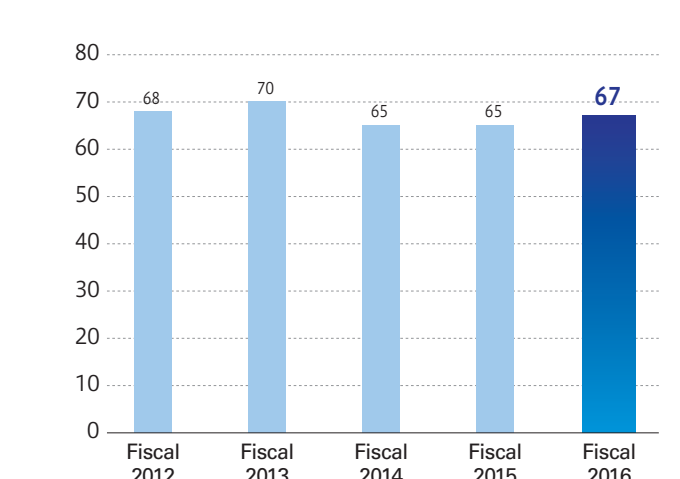
## Consolidated Current Net Profit Belonging to Parent Company's Shareholders



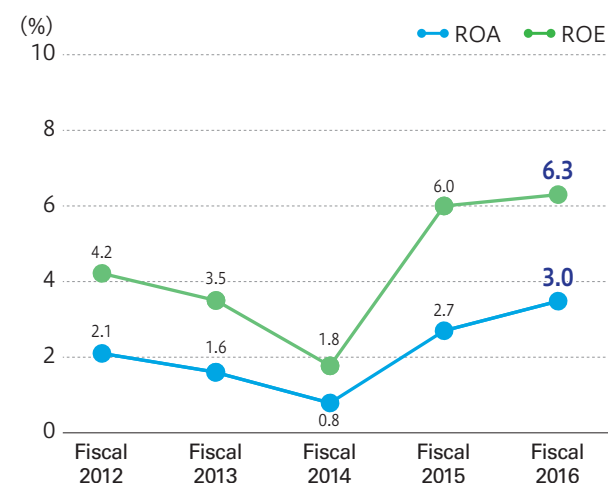
## Number of Certified Electric Home Appliance Advisors



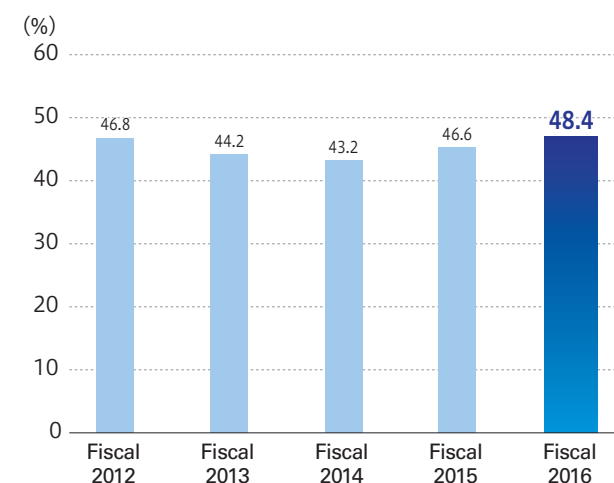
## Number of Female Managers



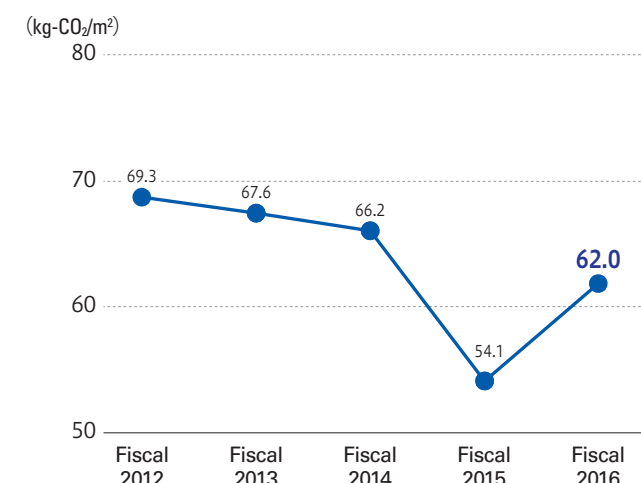
## Consolidated ROA and ROE



## Consolidated Capital Adequacy Ratio

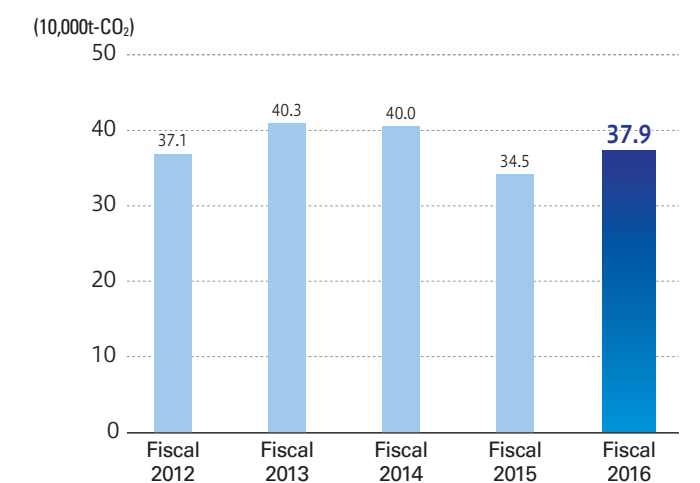


## CO<sub>2</sub> Emissions per Floor Area



\* CO<sub>2</sub> emission coefficient: 0.55kg-CO<sub>2</sub>/kWh

## CO<sub>2</sub> Emissions from the Use of Electricity



\* CO<sub>2</sub> emission coefficient: 0.55kg-CO<sub>2</sub>/kWh



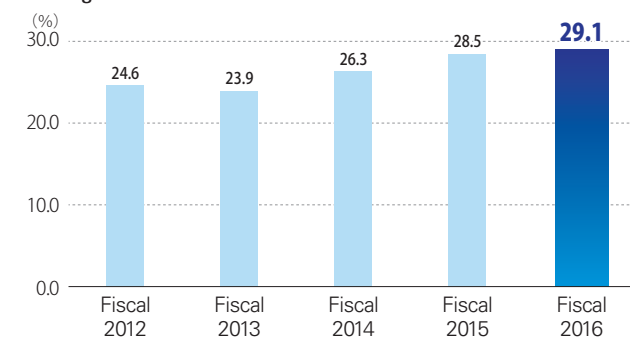
## Economic Performance

We will endeavor to enhance our corporate value, through continuous efforts to further increase sales, share values and the brand value of Yamada Denki, based on good relationships with customers and business partners.

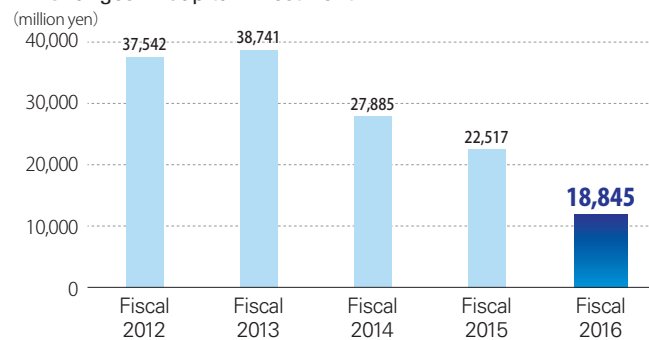
### Earnings

In fiscal 2016, the economy was on a track to moderate recovery, while a certain improvement was observed in corporate earnings and employment conditions. In the home appliance distribution industry, the prolonged market downturn due to reactionary demand decline after the end of the eco-point system and the shift to digital terrestrial broadcasting seems to have bottomed out, and sales as a whole were generally favorable except for some influence of special circumstances regarding PCs, mobile phones and other digital products and certain seasonal factors. Yamada Denki's consolidated sales for fiscal 2016 amounted to 1 trillion 563.0 billion yen, with an operating profit of 57.8 billion yen and a recurring profit of 66.0 billion yen. Current net profit belonging to the parent company's shareholders was 34.5 billion yen.

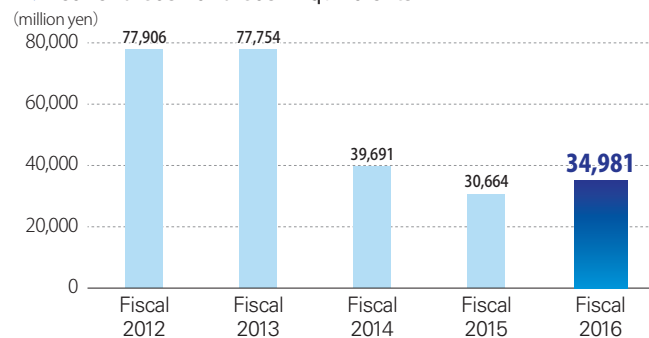
#### Changes in Gross Profit Rate



#### Changes in Capital Investment



#### Year-end Cash and Cash Equivalents



#### Consolidated Financial Data

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Sales	1,701,489	1,893,971	1,664,370	1,612,735	1,563,056
Operating profit	33,930	34,265	19,918	58,158	57,895
Recurring profit	47,906	50,187	35,537	62,734	66,040
Current net profit belonging to parent company's shareholders	22,203	18,666	9,340	30,395	34,528
ROA (%)	2.1	1.6	0.8	2.7	3.0
ROE (%)	4.2	3.5	1.8	6.0	6.3
Capital adequacy ratio (%)	46.8	44.2	43.2	46.6	48.4

### Analysis of Financial Status

#### Assets, Liabilities, and Net Assets

The total assets as of the end of this fiscal year in the Consolidated Financial results increased to 1,159,456 million yen, up by 12,734 million yen compared to the end of the previous consolidated fiscal year (a 1.1% increase from the previous term). This is mainly due to increases in goods and products through strategic purchase of seasonal products and alteration of sales floor composition.

Liabilities decreased to 573,909 million yen, down by 15,091 million yen (a 2.6% decrease from the previous term), mainly due to a decrease in long-term borrowing.

Net assets increased to 585,547 million yen, up by 27,825 million yen (a 5.0% increase from the previous term), due to such reasons as an increase in accumulated earnings. As a result, the capital adequacy ratio increased to 48.4% (up by 1.8 points from the previous term).

#### Cash Flows

Cash and cash equivalents as of the end of this fiscal year in the Consolidated Financial Results increased to 34,981 million yen, up by 4,316 million yen compared to the end of the previous consolidated fiscal year (a 14.1% increase from the previous term).

Cash flows in respective activities during this fiscal year in the Consolidated Financial Results are as follows.

##### Net cash used in operating activities

Net cash used in operating activities resulted in income of 43,855 million yen, mainly due to the recording of the net income before income taxes despite the payment of corporate tax, etc.

##### Net cash used in investing activities

Net cash used in investing activities resulted in expenditure of 15,279 million yen, mainly due to the acquisition of tangible fixed assets upon refurbishment of stores.

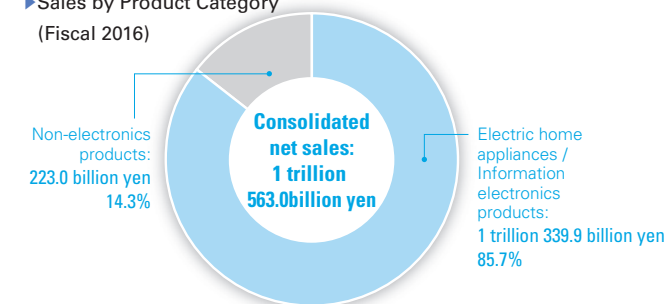
##### Net cash used in financing activities

Net cash used in financing activities resulted in expenditure of 24,382 million yen, mainly due to the repayment of long-term borrowings.

### Products and Services Provided by Yamada Denki and Sales by Product Category

The Yamada Denki Group sells a variety of electric home appliances and information electronics products to individuals and corporates. Recently, we have been placing stress on the housing business such as the sale of smart houses and renovation of existing houses. We also provide various pre-and after-sales services, including the provision of personal computer lessons and the establishment of counters dedicated to small and medium-sized companies and government agencies. Social needs are changing drastically due to the declining birthrate and the aging of society, population decrease and the development of the Internet society. However, we take advantage of having the largest store network in Japan and will further endeavor to enhance services based on the "customer first" approach with the aim of being a leading company of the IoT age through the daily life support services, smart house services, renovation services, net mall services and environment-related services.

#### Sales by Product Category (Fiscal 2016)



### Not Only Provide Products but also Offer Expert Service and Solutions

In order to respond to changing social needs, the Yamada Denki Group is promoting the shift from only providing goods (home appliances and other products) to offering proposals on servicing (miscellaneous support and services). By not only selling goods but also offering proposals on servicing, we are trying to further enhance the value of goods themselves and improve customer convenience.

### Development of Smart House & Renovation Businesses for Cultivating New Markets and Linking to the Coming Generations

The Yamada Denki Group has been promoting the initiatives of "energy conservation" through the dissemination of energy-efficient electric home appliances, "energy creation" by the use of photovoltaic power generation systems, and "energy storage" to store generated power, via its store network and subsidiaries (Yamada SxL Home Co., Ltd. (First Section, Tokyo Stock Exchange; Code: 1919) and Yamada Wood House Co., Ltd.). We offer proposals on smart houses wherein these initiatives are controlled and integrated through the use of the HEMS and communications infrastructure (proposals on newly-built houses and net zero energy houses (ZEH)). We have installed model houses and showrooms with offices at stores' parking lots and mockups within stores to demonstrate our unique business models, which are independent from the conventional ones employed by ordinary home builders, and offer proposals on the entirety of a house in response to the coming aging society with fewer children. In this manner, we are cultivating new markets from the customers' viewpoint and based on a downstream perspective. Furthermore, Housetec Inc., which is a subsidiary household equipment manufacturer, installs showrooms within Yamada Denki's stores and is actively offering proposals on renovation in collaboration with Total Smarnity Life Corner booths (renovation corner booths), while shifting from a business model centered on B-to-B services and expanding new B-to-C demand.

### Promotion of Reuse and Recycling Business of Home Appliances and PCs

In collaboration among C.I.C. Corporation, Azuma Metal Co., Ltd., and Inversenet Co., Ltd. within the Yamada Denki Group, the business to reuse and recycle home appliances and PCs has been promoted, with the aim of reducing environmental impact. Home appliances that are no longer used are collected and then renewed and resold as goods for reuse after the processes of cleaning, breakdown, inspections, etc., or are recycled as resources. As of the end of March 2017, the number of outlet/reuse stores operated by Yamada Denki increased to 19. Second-hand clothes and other non-electric/non-electronics products are also sold in collaboration with C.I.C. Corporation, in addition to home appliances for reuse. In this manner, we are trying hard to satisfy customer needs and are contributing to circulation of limited resources.

### Development of SPA Products

Yamada Denki has been developing its original brand, "HERB Relax" series, as the SPA business, integrally covering marketing, planning, development and retailing. Under the basic concept, "Products with Functions Preferred by Customers," instead of seeking so-called "high functionality," new products are being developed from the customers' viewpoint, such as limiting them to only necessary functions or further improving energy efficiency. As of the end of March 2017, there are a total of 380 products mainly in categories of consumable goods and small home appliances.



### Opening of New Stores

Having established a national chain covering all 47 prefectures, we have been continuing our efforts to further advance its store network and improve services as a specialist home appliance merchandiser while responding to various social needs. The number of stores as of the end of March 2017 was 956 (directly operated stores: 649; Best Denki stores: 142; and other consolidated subsidiaries: 165) and the total number of stores including FC stores was 12,075.

#### Number of Yamada Denki Group Stores

Store category	Store names	Fiscal 2014	Fiscal 2015	Fiscal 2016
Directly operated stores	LABI, Tecc Land, overseas stores, etc.	1,023	947	956
Franchise chain stores	Cosmos Berry's FC, Matsuya Denki FC, Best Denki FC, etc.	10,448	11,140	11,119
Group total		11,471	12,087	12,075



## Relationship with Shareholders and Investors

Our own mission is to maintain sustainable growth to increase corporate value and contribute to society. Moreover, it is essential to gain the understanding of our shareholders and develop mutual trust. We are endeavoring to make active communications by disclosing information in a timely and appropriate manner.

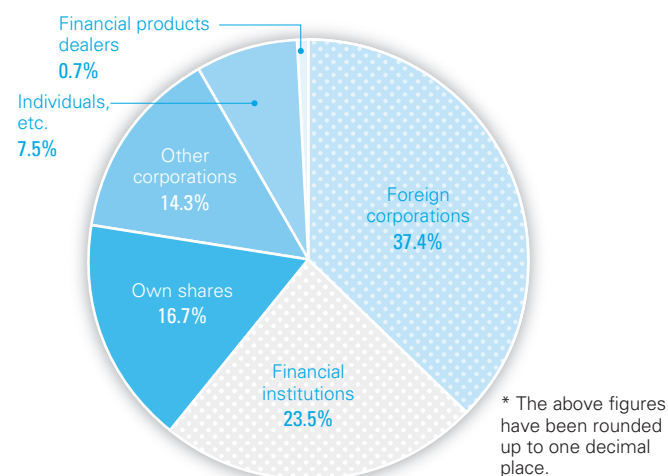
### Timely and Appropriate Disclosure of Business and Financial Information

Yamada Denki has disclosed IR information, such as earnings data and press releases, as well as information on the development of new products or the commencement of new initiatives, on our website to shareholders and investors, thereby endeavoring to deepen their understanding of Yamada Denki.

As the foreign ownership has been rather high, we have a number of opportunities to explain our business performance and management policy from the global perspective. We explain our business strategies and CSR activities at meetings with investors and analysts held around 200 times annually in Japan and overseas.

We specifically hold an annual briefing session for investors. The session has been held for 14 consecutive years in a different major city of Japan. To deepen investors' understanding, our top management officer explains our management philosophy and management policy, as well as the current status of business performance and future business plans.

► Shareholding Ratio (as of March 2017)



► Number of Meetings with Investors, etc.

	Number of meetings
Fiscal 2014	186
Fiscal 2015	205
Fiscal 2016	194

► Briefing for Individual Investors

	Venue	Number of participants
September 2014	Tokyo	415
September 2015	Tokyo	392
September 2016	Tokyo	297

\* The number of participants fluctuated due to changes in sites.

### Basic Policy for Distribution of Profits

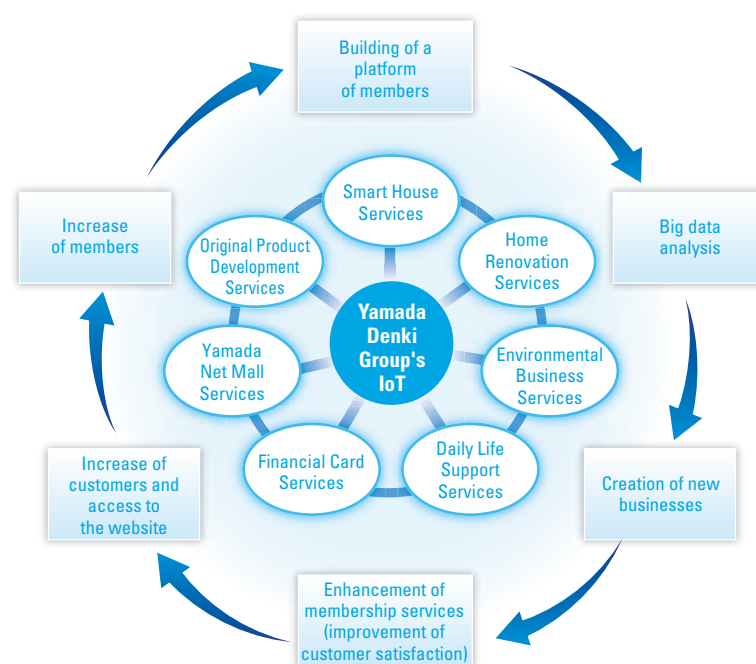
Regarding the appropriation of profits, our primary policy is to pay dividends to shareholders in a stable and consistent manner.

We consider it essential to build up internal reserves in order to achieve stable growth through enhancing future corporate value and strengthening the management base and also to increase and maintain market share in the industry, while improving the efficiency of capital with the aim of achieving sustainable growth into the future. We set the goal of a consolidated payout ratio of at least 30% and decide the amount of dividends in consideration of financial conditions and business performance of the relevant term.

We will utilize the internal reserves in an effective manner for its sustainable growth, for strengthening various solution businesses to broaden and deepen its business range, with the aim of responding to the rapidly changing environment of the distribution market, including the declining birth rate and the aging of society, population decrease, and development of the Internet society, and for improving the efficiency of existing stores and their network, enhancing and maintaining competitiveness, securing working staff, and strengthening financial structure, as well as for distributing profits to various stakeholders.

We will endeavor to secure dividends continuously based on stable growth in profits.

► Yamada Denki Group's IoT



### Economic Relationships with Major Stakeholders

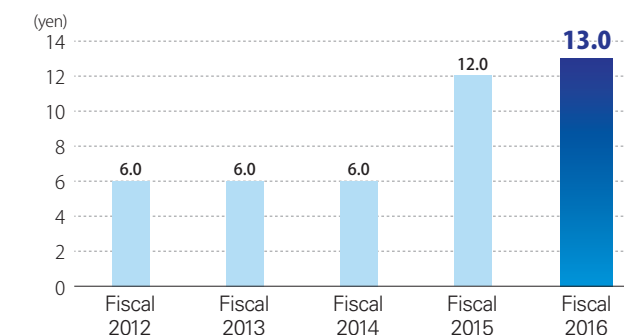
The value of economic relationships with major stakeholders was calculated as described below. For details, please refer to earnings reports and financial statements.

► Economic Relationships with Major Stakeholders (100 million yen)

	Calculation Method, etc.	Fiscal 2014	Fiscal 2015	Fiscal 2016
Shareholders	Dividend payments to shareholders	45.2	96.2	104.6*
Employees and executives	Total of personnel costs and executive remuneration out of sales and general administrative expenses	1,597.4	1,521.1	1,539.1
Local communities	For information on local community-related activities, please refer to p.36-39.	—	—	—
Administrative authorities	Corporate income tax, resident tax, and business tax	139.2	188.1	209.7

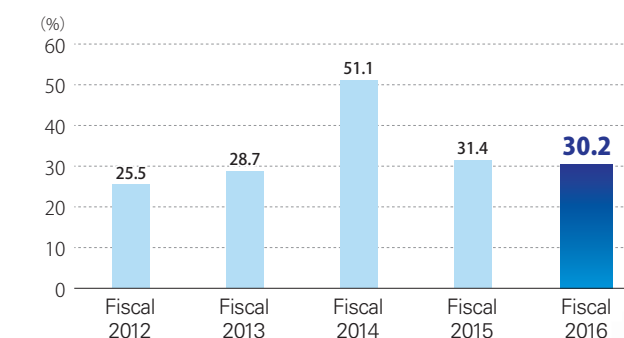
\* Figures for fiscal 2016 are those to be approved at general shareholders' meetings.

► [Unconsolidated] Dividend per Share\*

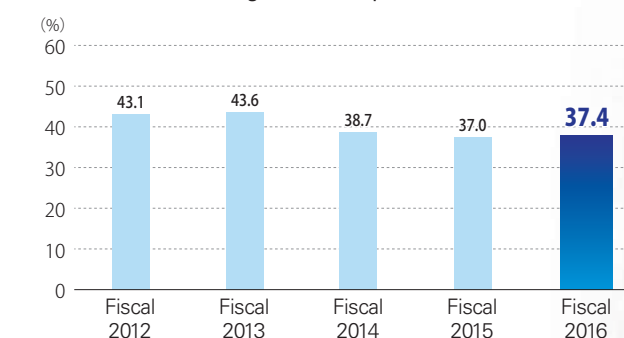


\* A 1-for-10 share split was conducted on October 1, 2013. Amounts for fiscal 2012 are those taking into account the share split.

► [Consolidated] Payout Ratio



► [Unconsolidated] Foreign Ownership



### The Shareholder Special Benefit Plan

We have established a shareholder special benefit plan in appreciation for the support of existing shareholders and with the aim of enhancing the advantage of investing in our shares and increasing long-term shareholders. The plan offers benefits in two ways, i.e., depending on the number of shares held and on the length of period of holding shares. Complimentary tickets are provided twice a year to shareholders as of the end of March and the end of September.



### Prospects

#### Japanese Economy

The future course of the global economy remains unpredictable in fiscal 2017, due to concerns over the possible impact of Brexit on the UK and European economy, the US policy trends under the new administration, and economic trends in China and other emerging countries.

However, in Japan, the economy is expected to remain solid, backed by steadiness in personal consumption and improvements of corporate performance.

#### Home Appliance Distribution Market

The home appliance distribution market, to which the company belongs, is expected to maintain the sales level of the previous year thanks to steady replacement purchases of white goods and TVs although the structural demand decrease may continue for PCs and other digital products.

#### Yamada Denki's Efforts

Under such market environment, we will continue efforts for cultivating new business fields and promoting structural reform as the largest specialist electrical goods merchandiser in Japan. Making the most of the group's business resources as a whole, we will make a determined effort to achieve better gross profit rates and reduction of selling, general and administrative expenses, thereby further enhancing profitability and corporate value.





# Outline of the Medium-term Business Plan

(Publicized on November 5, 2015)

In November 2015, Yamada Denki established and publicized the Medium-term Business Plan covering the period up to fiscal 2019.

This plan is not a conventional one and places the emphasis on feasibility and profitability, rather than only aiming to increase the total sales. This prioritizes capital efficiency, such as the improvement of ROE, instead of merely seeking the expansion of the corporate size. We will implement this plan steadily to achieve sustainable growth.

We have cultivated new businesses (cultivation of new markets), with various solution businesses positioned as another principal pillar, seeking to broaden and expand our business range, in addition to existing businesses centered on the sale of home appliances. We have developed services responding to social changes represented by the declining birth rate and the aging of society, population decrease and the development of the Internet society, and have continuously endeavored to enhance corporate value in the medium

to long-term perspective through innovative business expansion from the customers' viewpoint and based on a downstream perspective.

In fiscal 2017, we will continue our efforts to strongly promote the structural reform as explained below, in light of various changing social needs and strictly based on the hands-on approach, so as to bring about further results.

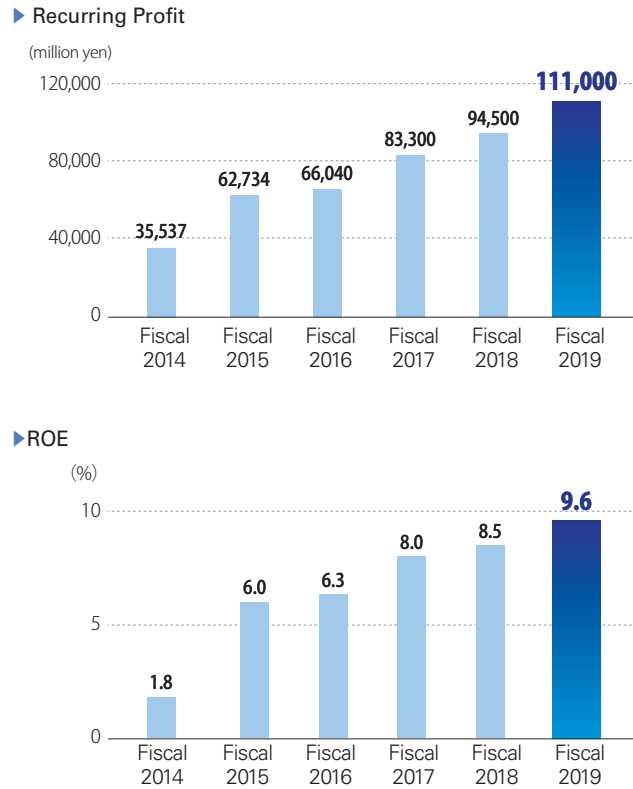
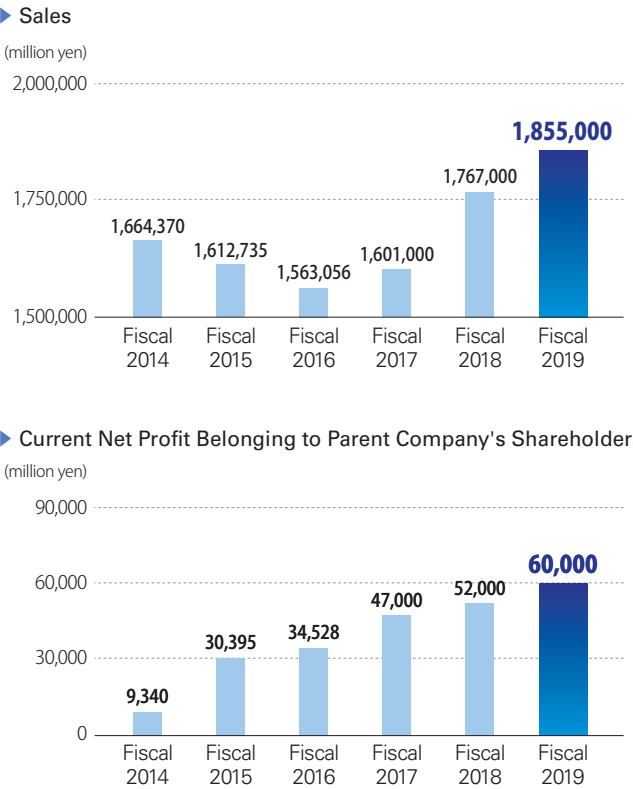
This Chapter outlines the progress of measures under each theme and related characteristic activities are introduced as topics.

With "Creation and Challenge" and "Appreciation and Trust" as our management philosophy, we will constantly conduct innovation for the sustainable growth and development of the Yamada Denki Group.



## Major Consolidated Numerical Targets in the Medium-term Business Plan

\* Values for up to fiscal 2016 represent actual performance and those for fiscal 2017 are estimates publicized on May 9, 2017.



# Eight Concrete Measures for Structural Reform


## Structural Reform for Enhancing Corporate Value



### 1 Cultivation of New Markets

#### Environmental Business | Reuse and Recycling Business

## Purchase Used Products and Recycle Them as Products for Reuse Established a Recycling-oriented Business among Group Companies



#### For Business Expansion

We have achieved stable progress in the purchase of used PCs and large home appliances as we had expected, through efforts such as promoting replacement purchases of PCs in collaboration with business partners and ensuring customer convenience by purchasing used large home appliances at the time of delivering new ones.

As new services, we started to purchase cooking ranges, cleaners, and rice cookers. These items are not covered by our delivery service. Therefore, we reviewed and improved point-of-purchase ads and inserts to announce the new system and encourage customers to bring their used items when they visit our stores to purchase new ones.

Customers seem to become increasingly selective when purchasing things, in consideration of their current lifestyles. If we can continuously provide goods with truly necessary functions at a reasonable price range, the market dealing with products for reuse has a potential to further expand. Anticipating such market environment, we will endeavor to enhance convenience to facilitate customers' use of the Yamada Denki Group's purchasing services and

#### Efforts for Enhancing Production Efficiency

We commenced the operation of the Shiga Reuse and Recycle Center in October 2015. Until then, there was only one production site, but now we have two sites, one in the eastern part and the other in the western part of Japan. Having two production sites: one in the east and one in the west, has reduced distribution costs and increased production capacity, and has made it possible for us to supply products for reuse that we produced from used products we had purchased in shorter time. Additionally, we are trying to acquire higher repair skills as a new initiative so that we can produce and supply more products for reuse.

to increase the number of used items we purchase and the number of products for reuse we provide, thereby contributing to mitigating environmental impact through the reduction of CO<sub>2</sub> emissions.




Eight Concrete Measures for Structural Reform

1

Cultivation of New Markets

Environmental Business | Expansion of Outlet & Reuse Stores

Expand Outlet & Reuse Stores Nationwide that Ensure Reasonable Prices, Safety and Environmental Friendliness



Steady Expansion of Business Performance

The number of newly opened outlet & reuse stores was two, and the total sales increased by 1.5 times and the number of reused products we sold also increased by 1.5 times. This is the second year since we started the reuse and recycling business, but the existing stores have maintained steady performance. We have purchased approximately 10,000 units per month and the number reached approximately 130,000 units for the whole year and washing machines, refrigerators, and televisions accounted for the majority thereof. We will further increase purchases and expand the range of products to secure inventory of products for reuse. For example, we have so far purchased only working products, but will start purchasing disabled products as well, which our special staff with high skills will repair into usable products by replacing components.

Number of Customers on a Steady Rise

Customers seeking products for reuse are mainly unmarried, centered on students. In 2016, products for reuse also sold well for

business purposes, such as for company housing, dormitories, and business offices. Strategically, we increased the display of leading products (TVs, refrigerators, and washing machines) and also increased the lineup and started the sale of cooking ranges at all stores from the end of 2016.

Outlet stores have continued to attract a broader range of customers and the number of customers is increasing. Second-hand clothes were initially sold at only five stores but Kadoma outlet store and Kaizuka outlet store also started to purchase and sell second-hand clothes, and the overall sales and profits are improving.

Opening of Stores in New Areas

In 2017, we will review our sales strategies and raise the percentage of products for reuse to increase the earning rate. When opening a new outlet & reuse store, it is very important to ascertain trade areas. Now, we are going to open new stores in large urban areas where we have had no stores. We plan to increase the number of stores to around 23 from 19 at present (as of March 2017).

2

Cultivation of New Markets

Smart House Services

Propose Environmentally-friendly and Comfortable Houses by the Use of the Largest Sales Network in the Industry



Achieve 100% Sales of Net Zero Energy Houses by 2020

While the introduction of Net Zero Energy Houses (ZEH) is being promoted as a national policy, it is three years since Yamada Denki commenced the sale of houses superior in heat insulation property and energy efficiency that are equipped with photovoltaic power generation systems. The Yamada Denki Group, as an electrical home appliance merchandiser, has created a network to sell houses as a whole, including everything therein, and aims to make the percentage of Net Zero Energy Houses in all housing sales reach 100% by 2020. In order to gain publicity, we have launched PR activities using commercial films and brochures and the presence of the smart house business in the Yamada Denki Group increased significantly compared to three years ago. Additionally, Yamada SxL Home and Housetec have come to be broadly known as Yamaha group and we will continue to accelerate our sales of smart houses.

Smart Houses Fully Utilizing Infrastructure Available within the Group

We are trying to expand exhibition of our smart houses at general model house exhibition sites, but at the same time, we have also fully utilized the infrastructure available within the Yamada Denki Group

and have installed model houses and showrooms within stores and at parking lots of stores, such as at Tecc Land Kasukabe store. In this manner, we are seeking a synergistic effect of home appliances and smart houses. Furthermore, we opened LABI Senri-kan for exhibiting Kobori houses at LABI LIFE SELECT SENRI, with the aim of enhancing the brand value of Yamada SxL Home, focusing on its strong design skills, and facilitating the growth of the Yamada Denki Group as a whole.

We will continue make the most of real stores of Yamada Denki to sell houses and home appliances as a package and offer renovation services, thereby further enhancing customer convenience.

For Customers' Rich Lifestyles

Ever-increasing sales of detached houses are no longer expected due to the declining birthrate and aging population. Under such circumstances, we place focus on making proposals to renovate existing houses to smart houses or introduce energy-efficient electric home appliances, and will also expand the business scope to cover the renovation of condominiums and the sale of custom-built houses.


We will make an all-out effort to enrich people's lives by providing robust and durable houses together with the latest and energy-efficient home appliances.

3

Cultivation of New Markets

Home Renovation Services

Help Customers Build Safe and Comfortable Houses by Offering Comprehensive Proposals on Renovation



Operation of Housetec Showrooms

We position the renovation market as one of the sectors with growth potential amid social changes represented by the declining birthrate, the aging of society, and population decrease. In collaboration with Housetec Inc., a subsidiary household equipment manufacturer, we have been selling unit kitchens and other plumbing products. Housetec Showrooms within Yamada Denki stores increased to 63 by February 2017 since the first one was opened in November 2015.

Comprehensive Housing Proposals Helpful for Customers

In relation to Net Zero Energy Houses, we will promote proposals on exterior renovation of roofs and outer walls for enhancing density and heat insulation capacity, as well as on products related to energy conservation and energy creation by the use of photovoltaic power generation systems.

In terms of the organizational structure, the Sales Office takes the initiative in improving performance of the renovation business and uniformly managing and guiding personnel. We provide truly helpful housing proposals comprehensively to all customers to enhance their satisfaction and increase overall sales.

Eight Declarations for Ensuring Safety in Home Renovation Services

The Yamada Denki Group promises the following as eight declarations to ensure that customers can utilize our services with peace of mind.

1. Present the latest products at showrooms that are the largest in their respective areas.
2. Ensure safety and security under a full support system.
3. Promise to disclose all answers to questionnaires to build customers' trust.
4. Adopt a responsible personnel replacement system to ensure safe and reliable customer services.
5. Our female staff gently serves.
6. Our staff visits customers' homes.
7. Propose reliable, clear and speedy plans.
8. Ensure safe construction under the control of local professionals.


Customers highly evaluate our efforts to present clear policies as being trustworthy, and we are receiving more orders.

4

Cultivation of New Markets

Daily Life Support Services

Offer New Services to Support Members' Peaceful Daily Lives



Cultivation of Highly Profitable Businesses

The New Business Development Office, which was established in January 2016, has repeated tests for new business seeds and has successfully found some promising business models that may turn to be profitable. The progress is thus beyond our expectation.

We will further endeavor to create new business models through the utilization of big data accumulated within the Yamada Denki Group.

Three Priority Businesses

We have high expectations of the following three businesses as our promising future business models.

The first is the home rental business, which we commenced in March 2016. As of February 2017, this business had expanded to be conducted at five stores. We are planning to increase the number of stores to around sixty in this fiscal year, centered on Tecc Land stores, anticipating a potential of this business to increase profits.

The second is the Yamada Family Support Services. We will expand this as a kind of mutual support business covering customers' daily lives "from the cradle to the grave" to achieve our ultimate goal, the maintenance of lifelong relationships with customers.

The third is the insurance business. At present, we are conducting it at several stores on a trial basis and are sensing its potential to contribute to revenue growth. We plan to aggressively expand this business to around 100 stores.

For the time being we will intensively promote these three highly promising businesses.

Aim to Contribute to Increasing Profits

The home appliances market has been difficult to forecast in recent years, and therefore, we have actively entered into other types of business. However, competition will also become severer in these new fields. In such a situation, we aim to increase profits by developing new business models fully utilizing the platform of our real store network.



Eight Concrete Measures for Structural Reform

5

Strengthening of Existing Businesses

Yamada Net Mall Services

Bridge a Gap between Real Stores and Web Stores Provide Easily Linked Products and Mechanisms in the Net Mall Business

Increasing Purchasers of Products Listed on the Net Mall

Facilitating utilization of both the Internet and real stores, the Yamada Net Mall has been expanding the solution business, while making the most of the company's strengths of having real stores. We are improving the recommendation function to recommend products listed on the Yamada Net Mall to customers visiting stores. This recommendation function works well for some products and the numbers of customers who purchase products via the Yamada Net Mall and those who purchase products recommended online at real stores are both increasing. As the mechanism and measures to increase participating retailers have created results beyond our expectation, the performance for fiscal 2016 exceeded the initial prospects.

Almost Doubled Lineup of Items

The Yamada Net Mall deals with necessities directly linked to daily lives, such as daily commodities, articles of personal taste, and medicine and medical equipment. The number of items was approximately 1.2 million as of the end of fiscal 2015, but

approximately 1 million items have been added, including an enhanced lineup of books. In addition to increasing the number of items, we will take on new challenges to optimize and maximize our efforts to cultivate new member customers for the future growth of this business. More specifically, we are testing a new system and mechanism saving resources at real stores and will strengthen measures to maintain the synergy effect between the Internet and real stores by better utilizing the already introduced tablet POS system.

Strengthening of Services Compatible with Other Solution Businesses

We are promoting this business in collaboration with other solution businesses, such as through providing products listed on the Yamada Net Mall as part of items relating to the housing business or offering support for development and sales activities of original products. When selecting new participating retailers, we confirm that candidate participants fully understand the characteristics and nature of the Yamada Net Mall, instead of focusing only on increasing the number of participants, thereby trying to expand and increase the attraction of the mall and achieve the goals set up in the business plan.

6

Strengthening of Existing Businesses

Original Product Development Services

Develop and Sell Original Home Appliances that are Environmentally-Friendly and are Easy to Handle

Expansion of Lineup of Original Home Appliances

Yamada Denki's original brand, "HERB Relax" series, is developed as a series of home appliances that are simple, easy to handle, and well-designed. We will continue to make efforts to further enhance its lineup. Regarding well-designed original models, whose major concept is to differentiate the Yamada Denki brand from others and enhance its value, six types of cooking appliances are now being sold and the number of models developed in collaboration with Sanrio company, Ltd. has increased to 14. Newly launched 7kg washing machines also sell well and have contributed to increasing the overall sales of the "HERB Relax" series. From now on, we will consider the adoption of the PB system in addition to the SPA system.

Ongoing Efforts to Expand the Lineup of Products

The number of original home appliances reached 380 items as of March 2017, up by 67 items from the year earlier. While the number is thus increasing, the round LED light, for which there are not many rival products, is popular among customers for its high energy-efficiency and functions (a remote controller). The original microwave oven, which has achieved both unbeatable price and functionality,

became a hot seller at stores and enjoys a high evaluation. The number of original home appliances is expected to further increase in this fiscal year through the adoption of the PB system, which will speed up the development process. We will also expand the lineup of well-designed models, centered on cooking appliances, which are popular and are selling steadily.

Efforts to Increase Knowledge on Original Home Appliances among Employees as Well as Customers

In order to make original home appliances more broadly recognized, it is important to deepen understanding of both customers and employees. The original microwave oven has been selling well partly backed by detailed explanations given by sales staff. We will train our staff so that they can properly promote the characteristic feature of "HERB Relax" series, "Products with Functions Preferred by Customers," to further expand the business performance.

7

Strengthening of Existing Businesses

Reform for Improving Store Efficiency

Renovate Existing Stores to Respond to Market Changes Speedily at a Pace of 200 Stores a Year, the Top Level in the Industry

Refurbishment of Stores Progressing as Planned

Full reform of approximately 650 directly operated stores is steadily progressing in line with the Medium-term Business Plan. Sales are favorable for TVs, backed by demand for 4K TVs and demand associated with the Olympic Games, and cooking appliances and other white goods that reflect individual preferences are also selling well. We have succeeded in arranging floor layouts in response to such moves and have increased sales and operating profit margins.

Plan to Expand Experience-based Stores in Front of Large Stations

In November 2016, LABI LIFE SELECT TACHIKAWA, a new experience-based store, was opened. Thanks to its location just in front of Tachikawa Station, sales have been above our expectation despite the declining birthrate, the aging of society, and people's return to urban areas. The former LABI Senri, also located in front of a large station, was completely remodeled into a similar experience-based store and was opened as LABI LIFE SELECT SENRI in March 2017.

We will increase experience-based stores while scrutinizing and selecting appropriate locations.

Efforts to Improve Customer Satisfaction

Since 2016, we have sequentially established *Digital Support Stations* to offer PC support services meticulously under a group-wide system. This service has contributed to increasing sales and operating profit margins, improving the customer experience, and also enhancing customer satisfaction accordingly.

Consideration of New Store Modes

We will seek means to more effectively utilize real stores and present various proposals therefor, such as the reorganization of sales modes and the development of a network of stores incorporating new concepts, in consideration of changes in the social structure, including the declining birthrate, the aging of society, and people's return to urban areas, as well as changes in customer needs and preferences. The ability to flexibly and speedily respond to ever-changing economic trends and social situations is one of our strengths and we will continue taking on challenges under the management philosophy "Creation and Challenge."

8

Strengthening of Existing Businesses

Personnel System Reform

Bring out Employees' Potential under the Optimal Working Shift Management System and Evaluation System

Improving Labor Conditions and Environment Practices

In fiscal 2016, we saw an improvement in the retention rate, which suggests that the development of pleasant working conditions is progressing. Employees have obtained external qualifications, such as those for a certified electric home appliance advisor, as planned. We have reviewed the wage system to introduce a new retirement allowance system that better reflects each employee's contribution to the company during their service. Additionally, we changed the workforce management to a per-minute basis to eliminate uncompensated overtime.

New Initiatives for Personnel System Reform

For personnel system reform, we have promoted new initiatives as follows. (i) Area limited employment system: Formerly we recruited staff who can work nationwide, but we started a new employment system in April 2017, under which employees are not forced to move, in consideration of increasing needs of employees with regard to family circumstances, such as childbirth, child rearing, and nursing care. (ii) Selective corporation pension plan: This October, we will introduce a personal defined contribution pension plan, which ensures certain tax benefits and can increase the amount of retirement allowances. (iii) Education program for next-generation leaders: Under the 2016 action plan to promote activities of female

staff, we conducted an education program. However, based on the idea that it is necessary to foster both male and female staff for ensuring sustainable growth of the company, we decided to train three or more leader candidates per store irrespective of gender. (iv) Amendment of the evaluation system: We will continue the campaign to encourage personal development and properly evaluate each employee's contribution to the company, based on such factors as job types, CS evaluations, acquisition of internal and external qualifications, and presented improvement proposals, under the amended point-addition evaluation system.

Support of the Hands-on Approach through Personnel System Reform

17 female staff members have participated in female leadership training for six months to improve management skill, wherein they themselves set up tasks and voluntarily worked to achieve them based on the PDCA cycle. These members are expected to educate their subordinates as leaders. Through the experience of expanding businesses diversely, we have learned that it is important for superiors to work together with their subordinates and provide them with on-the-job training, instead of just telling them to follow the manuals. Based on this fiscal year's slogan of taking the hands-on approach, we will promote the personnel system reform systematically.



### TOPICS

## 1

### LABI LIFE SELECT SENRI

#### A Store Exhibiting New Image that Surprises Customers



The south entrance of the store linked to Senri Chuo Station via a passageway is used by almost half of the visiting customers. At such key location of the store, the Showrooms of Housetec and Yamada SxL Home were newly opened through the latest remodeling.

Aisles are broader than in other stores and floor layouts are devised. The cafeteria in the store is often filled and sofas are placed here and there to make customers feel relaxed and enjoy staying for a longer time. Such change of the store image surprises customers and is highly evaluated.

#### Kobori Houses, LABI Senri-kan

This is the first challenge to exhibit houses of Yamada SxL Home within a Yamada Denki store. Kobori houses are broadly known to customers and LABI Senri-kan is attracting many visitors who are encouraged by direct mail and other PR activities. Customers can obtain diverse advice and recommendations on houses and daily living from dedicated staff members and look at exhibitions of examples of custom-built houses built by employed architects and the latest IoT systems. There are also private booths for individual consultations. Customers visiting to buy home appliances are also interested in highly functional houses, leading to successful sales agreements of houses in some cases. The fact that Yamada Denki also deals with houses has come to be widely recognized and the synergy effect is appearing among the entirety of the group, including Housetec, a group company that specializes in renovation services.



#### Various Activities as Experience-based Stores

LABI LIFE SELECT SENRI has been refurbished as an experience-based store. At the TV corner, TVs are displayed to better show color differences on screens to help customers choose large-screen TVs while confirming actual colors. Other popular corners include the health counter where customers can measure blood pressure and the staff gives them

recommendations on related goods, the cooking corner where customers can taste dishes prepared using highly-functional cooking appliances, and the kids' corner that was introduced for the first time in the neighboring areas.



#### Provide New Value to Customers

The Digital Support Station (DSS) is a service corner to provide total support for PCs, smartphones, tablets, and other digital equipment using the internet, covering the range from consultations to repairs. Customers are satisfied by the explanations given initially and highly rate the subsequent support services. At the DSS, not only dedicated staff members but also PC sales personnel serve customers and sell support services as part of the products by clarifying the prices therefor, which has worked to increase the peace of mind and satisfaction of customers. As a new type of store where customers can select an ideal, most up-to-date living style ranging from the most advanced home appliances to a comfortable living environment, LABI LIFE SELECT SENRI will provide new value while maintaining the quality of its wide-ranging proposals and further enhancing customer satisfaction.



### TOPICS

## 2

### Shiga Reuse and Recycle Center

#### Hub in Western Japan Contributing to the Creation of Recycling-oriented Society



The Shiga Reuse and Recycle Center operated by C.I.C. Corporation, one of the Yamada Denki group companies, started operation in October 2015. This is the second recycling facility following the facility in Fujioka-shi, Gunma, and it became possible to handle collected products separately in the eastern part and the western part of Japan, leading to the enhancement of distribution efficiency.

Recycled products are refrigerators, washing machines and TVs. We set the goal of the annual production of 36,000 units, and in fiscal 2016, approximately 30,000 units were produced. Recycled products thus produced at the Shiga Reuse and Recycle Center are sold at 7 outlet stores and one Best Denki store in Aichi Prefecture and westward areas and also by C.I.C. Corporation.

The center is characterized by the ability to collect a large quantity of products through the network of the Yamada Denki Group and the fact that collected products are thoroughly disassembled and cleaned to remove stains and improve appearance. Additionally, special staff members with high skills repair collected products by replacing components and have successfully achieved a high reuse rate. We uniquely offer two-year guarantee for products for reuse, which is one of our strengths.

We will promote repair of products by replacing components, which we started in 2016, more systematically and efficiently to further enhance the overall reuse rate. We will also endeavor to achieve more efficient production by ascertaining trends of product failures based on accumulated repair data, thereby aiming to contribute to the creation of an environmentally-friendly society and the reduction of environmental impact.

### TOPICS

## 3

### Yamada Outlet Kadoma, Best Denki Nagasaki Store

#### Expansion of Outlet Stores and Lineup of Items

Apart from Tecc Land stores, outlet stores mainly deal with a diverse lineup of products for reuse at a broad price range, and the 2-year guarantee for home appliances gives customers peace of mind and is favorably accepted. Basically, all reuse products are considered to be unique, and for a chance encounter between a product and a customer, we endeavor to prepare as many products as possible in order to satisfy the diverse needs of visiting customers in terms of functions and prices. The Yamada Denki Group is promoting the expansion of outlet stores and the increase of a lineup of products.

Best Denki Co., Ltd., another group company of Yamada Denki, started handling products for reuse at its Nagasaki Store in March 2017. The store, which is located in the old shopping district, mainly had customers in the older age bracket, but thanks to the effect of advertisement leaflets and word of mouth, it has become widely known that the store also deals with products for reuse and the number of young customers and the overall number of customers are increasing.

Yamada Outlet Kadoma also started the purchase and sale of second-hand clothes, in addition to home appliances, and has seen a significant increase in the number of a broader range of customers, centered on young people. Some customers intending to buy second-hand clothes also buy home appliances and vice versa, thus creating the synergy effect.





# Environmental Conservation Activities

The Yamada Denki Group considers that coexistence with the global environment is the basis of sustainable growth of our society and economy. In line with this understanding, Yamada Denki actively engages in efforts for environmental protection through its main business, trying to reduce the environmental impact in its business operations.

## Environmental Management

In August 2010, We established Environmental Policy that indicates the company's basic stance concerning environmental activities, and has been making efforts, while keeping in mind this Environmental Policy and ISO14001 certification as its concrete code of conduct.

### Yamada Denki's Environmental Policy (Established in August 2010)

<< Code of Conduct >>

- 1. We comply with laws and regulations related to the environment and operate businesses with regard to our responsibility of global environmental protection and mitigation of environmental impact.
- 2. We identify the environmental impact of all of our business activities and make consistent efforts to reduce environmental impact and to prevent pollution.
- 3. Through our core businesses, we promote services and the sale of products that contribute to society-wide efforts to protect the global environment.
- 4. Through environmental education, we let each individual voluntarily act for the better environment on their own responsibility.
- 5. Having partnerships with our customers and local communities, we promote activities for environmental protection and actively disclose information.

## Major Activities in Fiscal 2016

In our business operation, we view environmental issues as an important agenda and promote the sale of products and the provision of services that have energy-saving functions and good environmental performance, and also promote the reuse and recycling business of electric products. In fiscal 2016, as our initiatives for the reduction of environmental impact through our business, we continued to promote the smart house business and the reuse and recycling business of home appliances and PCs, which was realized under the collaboration among our group companies (C.I.C. Corporation, Azuma Metal, and Inversenet). Furthermore, We use quantitative target management for environmental activities in each store based on ISO14001 environmental management system certification obtained for the Takasaki headquarters, and endeavors to reduce environmental impact. The progress is reported at the monthly meeting of the Subcommittee on Environmental Measures and is disclosed on our website.

Major Activities and Status of Achievement in Fiscal 2016

Major Activities		Goal for Fiscal 2016	Achievement for FY2016 (up to March 31, 2017)
Reduction of environmental impact through core business	Reuse of home appliances (TVs, refrigerators, washing machines and dryers)	149,000 units	121,854 units
	Reuse of air conditioners	1,000 units	1,090 units
	Reuse of PCs	338,370 units	299,604 units
	CO <sub>2</sub> emission reduction through the collection, recycling of used ink cartridges, and sale of refilled ink cartridges	1,210,000 pieces	970,275 pieces
	CO <sub>2</sub> emission reduction through the sale of products for electrified houses	EcoCute: 222.28t	EcoCute: 106.72t
Reduction of environmental impact through business activities	CO <sub>2</sub> emission reduction at stores where demand controllers are installed <sup>1</sup>	Lower than 95.8% compared to the fiscal 2015 level CO <sub>2</sub> emission reduction: 7,315.5t	CO <sub>2</sub> emission reduction: -3,936.7t
	Volume of green power introduced (headquarters building) <sup>1</sup>	Lower than 98.8% compared to the fiscal 2015 level CO <sub>2</sub> emission reduction: 5,316.2t	CO <sub>2</sub> emission reduction: 5,540.5t
	Volume of green power introduced (excluding headquarters) <sup>1</sup>	Lower than 95.8% compared to the fiscal 2015 level CO <sub>2</sub> emission reduction: 1,090.5t	CO <sub>2</sub> emission reduction: 1,054.3t
	CO <sub>2</sub> emission reduction by photovoltaic power generation (Takasaki and Senri) <sup>2</sup>	6.031t	6.147t
	CO <sub>2</sub> emission reduction with power generated by photovoltaic power generation system installed on store roofs	Power generated: 39,351,108kWh	Power generated: 44,021,689kWh
	CO <sub>2</sub> emission reduction through enhancement of distribution efficiency	—	84.6t

<sup>\*1</sup> CO<sub>2</sub> emission coefficient: 0.55kg-CO<sub>2</sub>/kWh  
<sup>\*2</sup> Calculated using the coefficient of 314.5g-CO<sub>2</sub>/kWh based on estimated annual power generation in representative areas

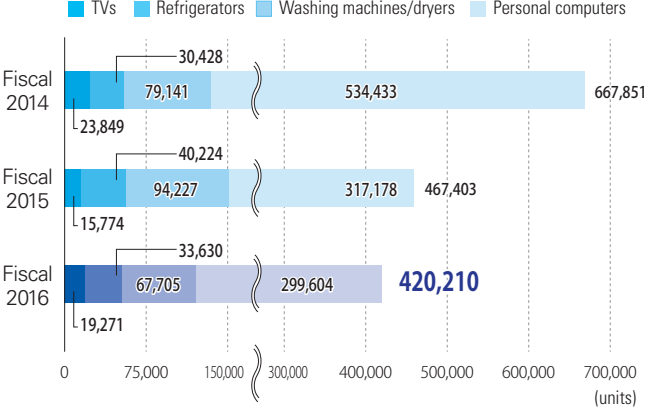
## Reduction of Environmental Impact throughout the Product Lifecycle

The Yamada Denki Group facilitates environmentally-sustainable efforts by customers and society-wide efforts to reduce environmental impact by supporting households' efforts for energy conservation, energy creation and energy storage through the sale of energy-efficient electric home appliances and photovoltaic power generation systems, and also by establishing systems to recycle and reuse used electric home appliances.

### Reuse of Home Appliances and PCs

The Yamada Denki Group started the reuse business concerning electric home appliances in fiscal 2001, and the reuse and recycling business concerning personal computers in fiscal 2007. In fiscal 2016, we handled around 120,000 units of electric home appliances (TVs, refrigerators, washing machines and dryers) and around 300,000 units of PCs in the reuse business. In order to enable customers to reuse used electric home appliances without worries, we have established original recycling systems for cleaning used appliances and checking their functions as well as offering a 24-month guarantee at the longest upon selling them, in collaboration with C.I.C., a group company. Meanwhile, we provide personal computer reuse and recycling services together with Inversenet.

Number of Appliances Reused



### Recycling of Ink Cartridges and Mobile Phones

Yamada Denki is promoting recycling by installing ink cartridge collection boxes in each store. We make donations to the Japan NGO Center for International Cooperation and the Foundation for Orphans from Automobile Accidents using funds obtained through the collection of cartridges. In fiscal 2016, we collected around 0.97 million cartridges and donated 6,269,040 yen. We will continue this initiative, thereby promoting such activities as offering support for disadvantaged children, assisting the creation of a sound material-cycle society, and reducing waste and CO<sub>2</sub> emissions through the reuse of empty ink cartridges. Additionally, we collect used mobile phones in cooperation with our group company, Inversenet, and extract rare metals therefrom, aiming to contribute to stable supply of rare metals.



Number of Collected Ink Cartridges and Mobile Phones (units)

Type	Fiscal 2014	Fiscal 2015	Fiscal 2016
Ink cartridges	1,416,636	1,237,503	970,275
Used mobile phones	8,939	5,936	4,208

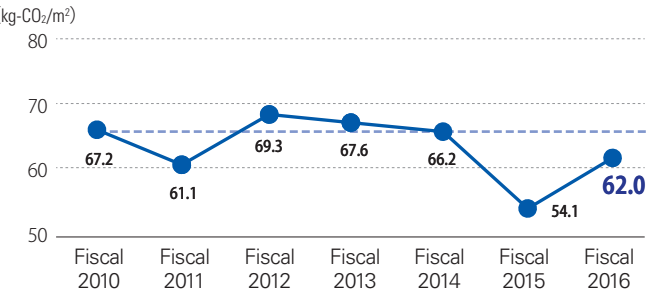
### Acquisition of ISO14001 Certification for the Headquarters

In January 2011, Yamada Denki obtained ISO14001 environmental management system certification for the headquarters in Takasaki. To reduce the environmental impact from our operational activities, we have been actively conducting measures for saving energy and resources at stores, including the introduction of renewable energy use, etc.

### CO<sub>2</sub> Emissions from Use of Electricity

The Yamada Denki Group has continuously tried to reduce CO<sub>2</sub> emissions from business activities.

CO<sub>2</sub> Emissions per Floor Area



\* CO<sub>2</sub> emission coefficient: 0.55kg-CO<sub>2</sub>/kWh

CO<sub>2</sub> Emissions from the Use of Electricity



\* CO<sub>2</sub> emission coefficient: 0.55kg-CO<sub>2</sub>/kWh

### Waste

We properly dispose of waste from stores and used electric home appliances recollected from customers that are not subject to the Act on Recycling of Specified Kinds of Home Appliances in accordance with relevant laws. We also properly disposed of waste in compliance with relevant laws and regulations in fiscal 2016.

Amount of Disposed Industrial Waste

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Amount of disposed industrial waste (t)	33,405	26,724	26,189
Number of stores subject to resource management	819	737	678

Amount of Disposed General Waste

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Amount of disposed general waste (t)	39,600	32,868	31,225
Number of stores subject to resource management	819	737	678

\* Waste that is not subject to the Act on Recycling of Specified Kinds of Home Appliances



Environmental Conservation Activities

The Yamada Denki Group considers that coexistence with the global environment is the basis of sustainable growth of our society and economy. In line with this understanding, Yamada Denki actively engages in efforts for environmental protection through its main business, trying to reduce the environmental impact in its business operations.

Environmental Conservation Activities by Group Companies

Housetec Inc.

Dissemination of Energy-Efficient Products under Green Product Assessment System

In order to reduce environmental impact at each stage of the product lifecycle, Housetec conducts green product assessment to approve products satisfying a certain level as green products, and proactively develop, manufacture and sell such products. As of the end of fiscal 2016, Housetec achieved its target, the sales ratio of 99%, for green products.

Through green product assessment, which focuses on such items as the reduction of component weight and the use of recycled materials, Housetec strengthens its efforts to develop and manufacture products with less environmental impact throughout their lifecycle.



Items Covered by Green Product Assessment

Assessment items	Assessment points
Weight reduction	Resource saving, Downsizing, Weight saving, Standardization
Lifespan extension	Durability, Reliability, Repair ease, Maintenance ease
Reuse and use of recycled resources	Use of recycled materials
Ease of disassembly	Ease of disassembly, Ease of sorting
Ease of disposal	Ease of fragmentation and degradability
Environmental friendliness	Reduction of environmental impact
Energy efficiency	Energy efficiency in the manufacture process and use

Voluntary Reduction of Emission of Chemical Substances

Housetec considers that reducing emission of chemical substances is one of the major issues in efforts for mitigating environmental impact. Housetec voluntarily controls the purchase, use, disposal and manufacture as products of such substances as acetone and ethyl acetate, in addition to those substances covered under the PRTR Act,\* in order to reduce their emissions into the air.

Substances Covered under the PRTR Act and Other Substances Subject to Housetec's Voluntary Control (fiscal 2016)

	Chemical substances
Controlled substances under the PRTR Act	Toluene, Xylene, Styrene, Methyl Methacrylate, Glyoxal, and Dicyclopentadiene
Voluntarily controlled substances	Acetone, Ethyl acetate, and Cyclohexane

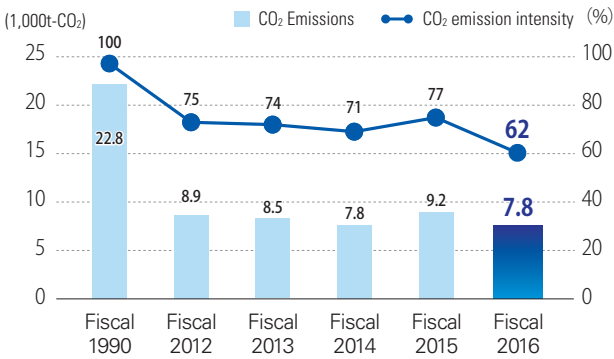
\* The Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act) provides that business operators should ascertain the amounts of chemical substances that may pose a risk of harmful effects on human health and the ecosystem which are discharged from their business establishments into the environment (air, water and soil) and which are contained in waste and moved out of their business establishments, and report such amounts to the national government. The Act also provides that the national government should tabulate the amounts of such substances that are emitted and moved based on submitted data and estimates, and publicize those tabulated amounts. This system commenced in April 2001.

Reduction of CO<sub>2</sub> Emissions

In consideration of the emission reduction goals set in the Kyoto Protocol, Housetec established its goal of reducing CO<sub>2</sub> emissions by 42% from the level of fiscal 1990 by 2016 and has been promoting relevant measures accordingly, such as the enhancement of the energy efficiency of its production facilities. In fiscal 2016, CO<sub>2</sub> emissions were reduced to 7,800t, exceeding the initial goal of 10,200t. Housetec will continue its efforts for reducing CO<sub>2</sub> emissions and also endeavor to contribute to preventing global warming from the perspective of product lifecycle as a whole and not merely focus on its production facilities, with the help of customers.

\* CO<sub>2</sub> emission intensity = CO<sub>2</sub> emissions / sales (compared to the fiscal 1990 level)

Changes in CO<sub>2</sub> Emissions and CO<sub>2</sub> Emission Intensity at Housetec



Project White Co., Ltd.

Contribute to the Creation of Recycling-oriented Society through Collection and Recycling of PCs

Upon the amendment of the Act on the Promotion of Effective Utilization of Resources, Project White started to promote the collection and recycling of its PCs disposed of by individual customers with the aim of contributing to the creation of a recycling-oriented society. Customers' applications for disposal of Project White's PCs are all accepted at the Tsukumo Support & PC Recycling Center and collected PCs are sent to the recycling facilities for proper treatment in compliance with relevant laws.

Collection and Recycling of PCs in Fiscal 2016

Product category		Weight	Number of units	Recycled amount
		kg	Units	Kg
Desktop PCs	For home use	6461.0	700	4706.1
Notebook PCs	For home use	142.0	71	81.1
CRT displays	For home use	16.3	1	13.4
Liquid crystal displays	For home use	238.7	46	188.3

Yamada SxL Home Co., Ltd.

Promote the Acquisition of ISO14001 Certification

In October 1997, Yamada SxL Home acquired ISO9001 Certification, the international standard for quality management systems, for the Tsukuba plant and Yamaguchi plant of its subsidiary, SxL Juko. In October 1998, these plants also acquired ISO14001, the international standard for environmental management systems. They undergo periodical assessment to ensure their quality management systems and environmental management systems, and have endeavored to provide high quality houses and environmentally-friendly houses that satisfy customers. A demand controller was introduced to the Yamaguchi plant in 1998 and to the Tsukuba plant in 2011, and efforts are being made to enhance energy efficiency through the reduction of CO<sub>2</sub> emissions in business activities. Efforts for reducing gas and gasoline use and emissions of general waste, industrial waste and dioxin, etc. are also being continued at these plants. Buildings wherein business offices of Yamada SxL Home are located firmly comply with laws and regulations relating to waste disposal, cleaning, exhaust, effluent, soil contamination, groundwater contamination, noise, odor, and greenhouse gas emissions. Additionally, the company periodically conducts air environment measurement and statutory inspection of fire protection equipment, thereby striving to create a proper working environment.



Wood Use in Consideration of Conservation of Forestry Ecosystems

In order to conserve the global environment and sustainably develop forests, the Yamada SxL Home Group has endeavored to secure the legality of wood they use for structural members and establish a traceability system. In fiscal 2016 as in the previous fiscal year, such efforts were made for structural members for the SxL method (method using wooden adhesive panels), which accounts for 90.6% of the company's housing business (detached houses). Wood used for the SxL method is divided into dimension lumber (two by four lumber), plywood, and structural panels, and is further divided into dimension lumber for adhesive panels, dimension lumber for laminated lumber, unprocessed dimension lumber to be used for rafters, plywood for adhesive wall panels, plywood for adhesive floor panels, sheathing plywood to be used for roofing boards, and Oriented Strand Boards (OSBs). Dimension lumber is made of Spruce Pine Fir (SPF), Hem Fir (HF), and Douglas Fir (DF), all of which are FSC certified lumber imported from North America. Wall panels are made of Russian larch proved to have been legally logged by the Japan Lumber Importers' Association. Part of the sheathing plywood uses Douglas Fir (DF), and OSBs mainly use aspen lumber, both of which are FSC certified lumber.



Azuma Metal Co., Ltd.

Promote Gunma-method Recycling Business

Azuma Metal has been promoting a local home appliances recycling business as a cooperative entity for the Gunma-method Recycling Business, which is one of the local home appliances recycling systems operated by the non-profit organization *Proper Environment Promotion Association* with the aim of complementing the Act on Recycling of Specified Kinds of Home Appliances and promoting recycling of four types of home appliances. While endeavoring to enhance the convenience of customers who dispose of used home appliances and reduce recycling fees, Azuma Metal collects used home appliances from customers and transports and properly handles them in line with the Recycling and Disposal Methods Specified by the Minister of the Environment for General and Industrial Waste of Specific Home Appliances.

A Class on the Environment at the National Museum of Nature and Science

On Saturday, April 1, 2017, Azuma Metal held a class titled "Let's Learn the Mechanism of Metal Recycling! Art Works of Unique Figures Using Scraps" at the science navigation corner in the National Museum of Nature and Science in Ueno. As it was during school spring vacation, visiting children included those from distant areas, such as Kyushu.

The class aims to provide children with an opportunity to actually touch scraps to make up unique figures and see and feel differences in color and weight of various kinds of metals, thereby making them more interested in resource recycling. Additionally, after explaining metal recycling by showing a video of recycling of industrial waste and home appliances, and playing quizzes, participants enjoyed creating art works using recycled metals.



Promote Small Appliances Recycling Business

Azuma Metal obtained certification as a certified small appliances recycler in 2017 in order to promote effective use of limited resources, and has been actively conducting the reuse and recycling business for small appliances, in collaboration with other Yamada Denki group companies, C.I.C. Corporation and Inversenet Co., Ltd. Small home appliances that could not be reused at C.I.C. Corporation and Inversenet are sent to recycling plants of Azuma Metal, processed into recycled goods by material (resources and raw materials), sold to refining companies, etc., and used for making new products.



\* Reuse and recycling of small appliances  
On April 1, 2013, the Act on Promotion of Recycling of Small Waste Electrical and Electronic Equipment was put into force. This Act aims to promote recycling of small waste electrical and electronic equipment (small appliances) to effectively utilize resources, such as aluminum, precious metals and rare metals.



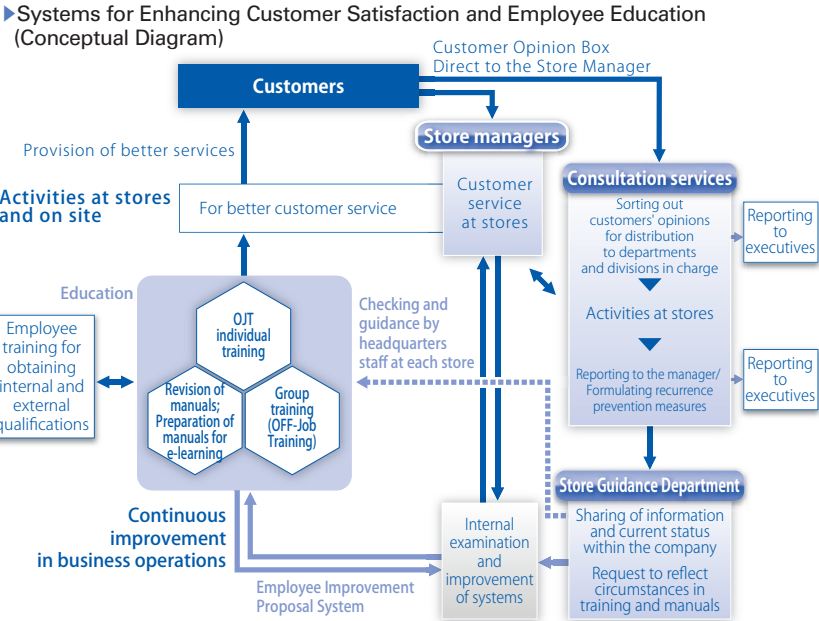
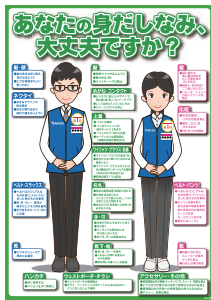
# Efforts to Improve Customer Satisfaction

We are constantly pursuing management based on the "customer first" approach, endeavoring to provide customers with services that can satisfy them fully, not only at stores but also throughout the whole period they continue to use the products they purchased at our stores.

## Consistent Efforts to Improve Customer Satisfaction

In addition to selling electric home appliance at reasonable prices, we provide useful services to satisfy customers while they use the products. Specifically, we believe that it is essential not only to improve customer satisfaction at stores but also to enhance overall customer satisfaction, including after sales service such as product delivery, installation and repair, from the stage in which they use the products onward.

To maintain high quality services, we will continue employee training programs and also consistent reviews of customer satisfaction. We will make improvements in response to customers' opinions at stores, during product delivery, and in after-sales service. Furthermore, we put posters in eyeshot of employees to remind them to be careful about their appearance.



## Employee Training through CS Improvement & Personal Development Campaign

We launched an in-house campaign titled "CS Improvement & Personal Development Campaign" targeting all employees in the stores and the headquarters. In our efforts to shift employees' focus from only selling products to making proposals on expert service and solutions, we placed importance on the enhancement of the quality of employees' customer service, reminding them of the very basic, "attending customers with a smile," and encouraging them to acquire more knowledge on home appliances and houses (including renovation) with the aim of further improving customer satisfaction. As a tool to raise awareness of employees, we had them wear a CS improvement badge.

Additionally, we conducted a questionnaire survey targeting staff members of the headquarters, who directly negotiate with business partners, in order to collect business partners' opinions from the perspective of CS improvement.



## Encouraging the Acquisition of Qualification as Certified Electric Home Appliance Advisors

We try to increase employees' expert knowledge so that we can provide customers with proper advice on selecting electric home appliances. In order to enable them to provide advice based on various factors, such as customers' needs with regard to product functions, their purpose of use, usage frequency, place of installation, as well as their preferences, we encourage employees to obtain external qualifications such as that for a certified electric home appliance advisor. We hold practical study sessions by outside lecturers, with the cooperation of manufacturers, and the number of qualified employees has been increasing.

In fiscal 2016, the number of qualified employees exceeded 3,500.

►Number of Certified Electric Home Appliance Advisors

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Audio visual information home electronics	566	812	1,339
Daily life home appliances	398	574	920
General electric home appliances	685	1,049	1,318

## Promotion of the Improvement Proposal System

Yamada Denki prepares the Improvement Proposal System under which each staff member is encouraged to make proposals from an onsite viewpoint, with a view to realizing "Company-wide Participation in Management," so as to ensure better performance in daily duties and the overall corporate management.

In fiscal 2016 as well, there were a total of 5,838 proposals that would lead to sales support, cost cutback, customer satisfaction improvement, and employee satisfaction improvement, and 182 of these proposals were newly adopted.

## Training to Certify CS Managers

In order to standardize CS activities in product delivery and installation, Yamada Denki requests its partner companies to receive its original "Training to Certify CS Managers." This is a system to certify responsible officials who provide persons in charge at respective companies with guidance on the standards that Yamada Denki specifies with regard to customer satisfaction, manners, operations, etc. in relation to product delivery and installation. A training session consists of educational training, group discussions and a written test. Under this system, Yamada Denki certifies CS managers of its partner companies, with the aim of maintaining their CS levels equivalent to those of the staff of Yamada Denki.

►Training Sessions Held in Fiscal 2016

	Number of participants
Training to Certify New CS Managers	228
Certification Renewal Training	784

# CS Improvement Activities by Group Companies

## Establishment of Yamada Finance Co., Ltd.

Yamada Finance Co., Ltd.

Yamada Finance offers various loan programs, such as Yamada Renovation Loan for funds for renovation, and Yamada Flat 35 and Yamada Flat Bridge Loan for funds for construction or purchase of new houses, at the lowest interest rate\* in the industry in some cases, to support customers financially.

\* Based on the company's survey



## Enhancement of Customer Satisfaction through Brushing up Employees' Skills

Best Denki Co., Ltd.

The Best Denki Group improved the content of training sessions with the aim of brushing up employees' skills for achieving better customer satisfaction. Throughout fiscal 2016, training was provided to all employees, including full-time employees, contract employees, non-regular staff and part-timers.

Such training as that for improving customer service skills, and training for candidate or newly appointed store managers and assistant managers targeting managerial staff and officers, is provided to improve and standardize their skills of serving customers at stores and to enhance their sales capabilities as well as customer satisfaction by strengthening the leadership skills of managerial staff.

Based on an action plan under the Act of Promotion of Women's Participation and Advancement in the Workplace, Best Denki also held the "Career Design Seminar" targeting female staff, with the aim of improving customer satisfaction from a female perspective through increasing opportunities for female staff and raising their status. Training for fostering specialists includes renovation-related training and training for increasing product knowledge and strengthening sales skills targeting corporate customers. Efforts for achieving better customer satisfaction are thus being made also from such perspectives.



►Training Sessions Held in Fiscal 2016

Group education at the headquarters	21 sessions
Regional group training (on-site training)	240 sessions

Group Companies

Group companies proactively offer support to their employees for the acquisition of various qualifications in accordance with their business. When employees successfully acquire qualifications, the company grants rewards therefor.

Company name	Qualifications
Best Denki	Certified Electric Home Appliance Advisor, Certified Electric Home Appliance Engineer
Yamada SxL Home	Architect, Real-estate Transaction Specialist
Matsuya Denki	Certified Electric Home Appliance Advisor
TES	Certified Electric Home Appliance Advisor, Certified Electric Home Appliance Engineer, Second Class Electric Work Specialist, Refrigerant Recovery Specialist, Gas Welding Technician
Project White	Microsoft Certified Technology Specialist
Inversenet	Specialists in Reuse and Recycling of IT Equipment
Azuma Metal	Pollution Prevention Manager, Qualifications relating to heavy equipment and refrigerant recovery, etc.
Y's Select	Registered Pharmacy



# Efforts to Improve Employee Satisfaction

Yamada Denki believes that human resources are the key element of management. Therefore, we always make an effort to improve our whole framework that enables employees to work with strong motivation. We have prioritized efforts for employee training, capability development, and improvement of the working environment, while striving to cultivate a corporate culture where every person's personality and characteristics are respected irrespective of their gender, age, or physical differences.

## Improve Employee Satisfaction

### Personnel and Working Environment Policy

We have a fair and transparent evaluation system based on individual performance, depending on the acquisition of internal and external qualifications. We support the development of business skills and experience, and are building a good working environment for continued employment that will increase motivation.

Our recruiting policy is based on operational features, and we are recently hiring people who can invigorate the organization. As of the end of March 2017, the average age of employees was 36.5 years old and the average employment term was 11.0 years.

Moreover, we are promoting the re-employment of contract workers as regular workers by harmonizing with the internal qualification system, the employment of people with disabilities, and the reemployment of elderly workers. The employment rate of people with disabilities has been higher than the legal standard since January 2009. Regarding the employment of elderly persons, we are making adjustments to meet the revised Act on Stabilization of Employment of Elderly Persons enforced in April 2013 that stipulates the obligation to continue employing all employees who wish to work until the age of 65.

#### Number of Employees

		Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of managers	Men	3,097	3,021	2,996
	Women	65	65	67
	Total	3,162	3,086	3,063
Number of employees		10,895	10,725	10,568
Average number of temporary employees		8,935	8,487	7,902
Number of employees with disabilities		423	395	387

\* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.

### Annual Commendation System

We have created a fair and impartial personnel evaluation system based on individual performance rather than on the basis of seniority. As part of such personnel evaluation system, it commends stores and offices having recorded excellent annual sales by store size, individuals having recorded superior sales, and stores and individuals having made excellent improvement proposals. In fiscal 2016, a total of 50 individuals and 22 stores and offices were commended.



### Promotion of Work-life Balance

To improve the working environment so as to enable employees to work with good conditions, we consider it important to provide workplaces under the concept of "work-life balance."

Under our child-care and nursing-care support systems, we allow expanded pre-childbirth leave (two weeks more than the legally prescribed minimum) and expanded childcare leave (until the child reaches three years of age), and have introduced systems to provide support for employees who have returned from child-care leave, and re-employ employees who left work to concentrate on child care. Through these systems, we provide a better working environment in which employees can adjust their work-life balance depending on their major lifetime events, such that the needs for child care or nursing care for their families are to be met.

Furthermore, in order to enhance the safety and health environment at workplaces, we set a safety and health committee at each store to have them respectively discuss issues on occupational safety and health, which are presented by the headquarters every month. These efforts have worked to enhance employees' satisfaction.



#### Number of Employees Taking Special Leave

		Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of employees taking childcare leave	Total	164	201	204	169	159
	Male employees	2	4	6	2	5
Number of employees taking nursing care leave		8	4	7	13	11
Number of employees on short working hours		112	100	152	148	134
Rate of employees receiving medical checkup		94.3%	94.0%	95.1%	95.3%	95.9%

\* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.

### Gunma Ikiiki G Company Certification System

Gunma Prefecture operates the Gunma Ikiiki G Company Certification System to support efforts made by companies and organizations for promoting work-life balance, through such means as promoting women's activities at workplaces and employees' in-home educational activities, in addition to helping employees balance work life and family life. Yamada Denki has also acquired this certification.



## Employee Training

### Education for Candidate Managers

Targeting level-1 assistant store managers, level-1 chiefs, and level-1 general staff, education is provided to encourage them to seek higher positions. They are provided with e-learning education on basic knowledge for managerial staff and also receive training by accompanying delivery or construction service staff to ascertain customer needs and satisfaction. After that, they take tests and go through interviews by area managers before being appointed to higher positions. Contract employees are also given chances to become full-time workers. These incentives raise their motivation and improve their satisfaction.

#### Education Provided in Fiscal 2016

	Candidate store managers	Candidate assistant store managers	Candidate chiefs	Total
Number of approved candidates	14	10	210	234

\* The above figures represent the number of employees at Yamada Denki on a nonconsolidated basis.

### Promotion of Women's Participation and Commencement of the Education Program for Next-generation Leaders

In response to the enactment of the Act of Promotion of Women's Participation and Advancement in the Workplace (April 1, 2016), Yamada Denki ascertained the current status and analyzed issues concerning the program to foster female managers, which it had carried out so far, and established an action plan. In fiscal 2016, based on the idea that it is necessary to foster both male and female staff for ensuring the sustainable growth of the company, Yamada Denki commenced the education program for next-generation leaders based on the program for promoting women's participation it had carried out so far. Leaders are deployed to each store to provide education to store staff with the aim of improving employee productivity, enhancing CS and ES, and fostering female managers. At the same time, Yamada Denki is endeavoring to develop a better working environment where diverse human resources can actively participate.



## Employee Satisfaction Improvement Activities by Group Companies

#### Housetec Inc.

### Development of Favorable Working Environment

Housetec promotes the development of a favorable working environment so that all employees can fulfil their potential. In response to the amendments of the Act on Childcare Leave and Caregiver Leave, etc. and other Acts, the company reviewed and developed its systems relating to work-life balance. In fiscal 2016, the following systems were brushed up to ensure a better working environment.

- System for shorter working hours and leaves for female staff during pregnancy and within one year from childbirth
- System for teleworking for child rearing and nursing care
- Cumulative paid annual leaves
- Nursing care leaves

Others

#### Yamada SxL Home Co., Ltd.

### Product Development from the Viewpoint of Female Staff

Yamada SxL Home has promoted product development based on diverse opinions of female staff irrespective of their affiliation or age. In fiscal 2016, as the fifth products reflecting women's views developed by the Women's Participation Promotion Team, a kitchen storage unit named "Powerful Storage" was launched. Maintaining the basic concept of large capacity and smart storage, the Powerful Storage series incorporates wide variations and ideas from a female perspective in order to satisfy diverse customer needs according to room layouts. Proposals on storage thus developed through the team's activities have become broadly known within the company and have been highly evaluated by customers. Those proposals are adopted as standard specifications in new products and developed products are installed in new houses for sale and in renovated kitchens, and have become indispensable items to reduce the burdens of housework in planning new or renovated houses. Their sales volume is increasing year by year. Yamada SxL Home will continue efforts for expanding opportunities for female staff and developing a better working environment to enable them to demonstrate their abilities.



#### Best Denki Co., Ltd.

### Promotion of Activities of Female Staff

Best Denki established a committee to promote activities of female staff, consisting of 20 members. The committee covers all its group companies and aims to develop working conditions under which female staff in different life stages can prove their skills, thereby contributing to the growth of the company as a whole. Based on discussions on problems in developing favorable working conditions, the company reviewed and reformed systems for leaves and shorter working hours for child rearing to facilitate women's social participation.

In 2016, onsite opinions of employees were directly collected through visits to stores in the Fukuoka area. Best Denki's efforts for promoting women's participation are introduced on the website operated by Fukuoka-shi, "Fukuoka NEXT Companies That Support Women's Participation: Introduction Website."



### Commendation System for Encouraging and Motivating Employees to Improve Their Careers

Best Denki has the commendation system to grant the Special President Awards to stores and offices having recorded excellent annual sales, the Best Sales Awards to individuals with superior sales records, and the Improvement Proposal Awards to stores and individuals that have made excellent improvement proposals. Through the system, the company has tried to encourage and motivate its employees to improve their careers.





# Social Contribution Activities

Retail companies are required to contribute to the growth of the local communities through corporate activities deeply rooted therein, while obtaining people's understanding and support.

As a community member, Yamada Denki continuously makes efforts to develop good relationships with local people and communities and to win their trust.

## Social Contribution

### 3rd Yamada Denki Soccer Training Session for Elementary School Children and a Lecture on AED Handling

On Saturday, June 11, 2016, Yamada Denki held the "3rd Yamada Denki Soccer Training Session for Elementary School Children and a Lecture on AED Handling" at the track and soccer ground of the Maebashi General Sports Park (Maebashi-shi, Gunma Prefecture).

Elementary school children and their guardians (around 120 in total), as well as ten children invited from children's institutions in Takasaki-shi and Maebashi-shi by the Yamada Noboru Memorial Foundation, participated in the event and enjoyed soccer, observing the skills of top players. Taking this opportunity, Yamada Denki also demonstrated how to use an AED (automatic external defibrillator) to increase knowledge on basic first aid measures.



### Summertime Joshu Region Shogi Contest: 12th Yamada Children's Shogi Contest

On Saturday, August 27, 2016, the "Summertime Joshu Region Shogi Contest: 12th Yamada Children's Shogi Contest" was held in the event space, LABI Gate, on the fourth floor of LABI1 Takasaki store. The contest is held twice a year (in summer and winter), aiming to use Shogi, a chess-like game, to disseminate and develop a deeper understanding of traditional Japanese culture and contribute to the local communities through educating elementary school and junior high school students.

At the "Summertime Joshu Region Shogi Contest: 12th Yamada Children's Shogi Contest," 172 children from all over Japan were divided into four categories, "Early Elementary Grades," "Late Elementary Grades," "Junior High School Students," and "Beginners," and had heated matches.

Additionally, there were also other attractions such as guidance by professional Shogi players, free matches, Shogi mating quizzes, Shogi classes, and rock-paper-scissors games, and visitors enjoyed the magnetism of Shogi all day long.



### 11th Yamada Denki Photo Contest 2016

On Saturday, October 8, 2016, the "11th Yamada Denki Photo Contest 2016" was held in the event space, LABI Gate, on the fourth floor of LABI1 Takasaki store.

As part of Yamada Denki's CSR-focused management, this contest aims to contribute to the protection of the natural environment of Gunma Prefecture and passing on of the cultural heritage with the hope that these efforts will revitalize moves for cultural promotion.

This time, a total of 866 photo works were submitted for four departments, "Landscape (Mountains and Rivers) in Gunma," "Akagi Nature Park," "Portraits," and "Photo Series for High School Participants." The Grand Prize "Yamada Denki Award" and other prizes were awarded to 16 individuals and three schools.

On the same day, Photographer TATSUKI Yoshihiro gave a talk show with comments on the submitted photo works, with 200 guests selected by lot invited to join him. It was a precious opportunity for them to receive advice directly from the professional photographer and they seemed very satisfied.



### Yamada Denki Sponsored the OSAKA EKIDEN in Nagai and the 19th All-Japan Ekiden Race for the Visually-Impaired

On Sunday, November 20, 2016, the "OSAKA Ekiden in Nagai and the 19th All-Japan Ekiden Race for the Visually-Impaired" (hosted by the Japan Blind Marathon Association) was held at the Yanmar Stadium Nagai and the running course within Nagai Park (Osaka-shi, Osaka Prefecture). Participants included 24 teams of the visually-impaired, 15 teams of the physically-unimpaired, and 6 mixed teams. All runners, including the visually-impaired with escort runners, ran the 20-km course.

The Japan Blind Marathon Association also held the Jingu Gaien Road Race and organized classes for escort runners in order to promote the social normalization of the activity.\*

Yamada Denki supports the objective of the Japan Blind Marathon Association and sponsored the "OSAKA Ekiden in Nagai and the 19th All-Japan Ekiden Race for the Visually-Impaired."



\*Normalization: A social principle concerning social welfare that assistance should be offered to handicapped people so that they can live in the same manner as the physically-unimpaired

### 6th Yamada Denki Award 15th Takasaki Elementary School Children Ekiden Race and 6th Takasaki Elementary School Children Long-distance Relay Race

On Sunday, December 11, 2016, the "15th Takasaki Elementary School Children Ekiden Race and the 6th Takasaki Elementary School Children Long-distance Relay Race" (the 6th Yamda Denki Award cohosted by the Takasaki Association of Athletics Federation and Yamada Denki) was held at the Hamagawa Stadium and the running course within the Hamagawa Sports Park (Takasaki-shi, Gunma Prefecture). This race aims to improve the health and physical power of elementary school children and foster their strong will by giving them an opportunity to enjoy running and competing with each other. Yamada Denki also holds the Exchange Ekiden Race for Supporting Reconstruction after the Great East Japan Earthquake every year, with cooperation of the Gunma Diamond Pegasus Baseball Club. The club is a professional baseball team of Gunma Prefecture that belongs to the independent professional Baseball Challenge League. Through cooperation in the Ekiden race, exchange between invited amateur baseball teams in Gunma Prefecture and elementary school children in Takasaki-shi is deepened. Additionally, in fiscal 2016, an exchange event with members of the Yamada Denki Women's Track and Field Team was held.



### Joshu Region New Year's Shogi Contest 2017

On Tuesday, January 3, and Wednesday, January 4, 2017, the "Joshu Region New Year's Shogi Contest 2017" was held in the event space, LABI Gate, on the fourth floor of LABI1 Takasaki store. This contest, which aims to use Shogi, a chess-like game, to disseminate and develop a deeper understanding of traditional Japanese culture among people of a wide age range, is held every year in order to contribute to the local communities from the educational aspect mainly targeting elementary school and junior high school students. This two-day event attracted 2,216 people in total. At the "13th Yamada Children's Shogi Contest" held on Tuesday, January 3, 192 children from all over Japan were divided into four categories, "Early Elementary Grades," "Late Elementary Grades," "Junior High School Students," and "Beginners," and had heated matches. Other attractions such as guidance by professional Shogi players, free matches, Shogi mating quizzes, Shogi classes, and rock-paper-scissors games were also popular among participating children and their parents, as well as ordinary customers, who enjoyed the appealing features of Shogi all day long. The "7th Joshu Region Shogi Contest" held on Wednesday, January 4, featured a New Year's special match between Master SATO and MORIUCH Ku-dan (9th rank). Additionally, the dream final match of the Joshu Yamada Challenge Cup between FUNAE Roku-dan (6th rank) and female professional player, WATANABE Sho-dan (1st rank), and a special match between FUJII Ku-dan (9th rank) and TAKAMI Go-dan (5th rank), and other various events, such as autograph sessions and Shogi mating quizzes, with the participation of 12 professional Shogi players, entertained visitors. At the opening ceremony, Chairman YAMADA gave an opening address, showing his passion for this Shogi Contest by saying "Shogi is a part of Japanese traditional culture that can be enjoyed by everyone across generations and I would like to continue efforts for the dissemination and development of Shogi."



### FY2016 All-Japan Interscholastic Athletic Meet Yamada Denki Sponsored 66th All-Japan High School Ski Championship

From Thursday, February 2 to Monday, February 6, 2017, the FY2016 All-Japan Interscholastic Athletic Meet, the "66th All-Japan High School Ski Championship" was held at Katashina-mura, Gunma Prefecture. This is the most prestigious ski championship for high school students. Approximately 1,000 winners of the preliminaries nationwide participated in the championship and showed the results of their constant hard work.



### Shibukawa Top Athlete Training Session by Yamada Denki Women's Track and Field Team

On Thursday, March 30, 2017, the Shibukawa Top Athlete Training Session was held at the Akagi General Sports Park (Shibukawa-shi, Gunma Prefecture), targeting approximately 110 elementary school and junior high school students in Shibukawa-shi. All 16 members of Yamada Denki Women's Track and Field Team, including the team manager MORIKAWA, participated in the session as lecturers.

Participants tried measures to promote endurance and stretching exercises before and after practices and also earnestly listened to the lecture by Mr. MORIKAWA concerning preferable attitudes toward daily practices, etc.



### Activities for Making Donations for Disaster Victims

As a member of local communities afflicted by natural disasters, etc., the Yamada Denki Group offers support for recovery and reconstruction. Yamada Denki and group companies collected donations for victims of the Kumamoto Earthquake from April 15 to May 31, 2016, hoping for the restoration and recovery of the normal daily lives of those victims. On June 17, the representative of Yamada Denki visited the headquarters of the Japanese Red Cross Society and donated 6,747,993 yen collected from customers and employees to support reconstruction of afflicted areas.





## The Public Interest Incorporated Foundation Yamada Noboru Memorial Foundation Support for Disadvantaged Children

As the Act on Self-reliance Support for Poor and Needy People was put into force on April 1, 2015, the national, prefectural, and municipal governments have been taking measures for assisting poor children. The Yamada Noboru Memorial Foundation also offers support for disadvantaged children.

### 1 Kids Challenge Program Increase Children's Interest in Jobs

#### Objective

The program aims to encourage children of families receiving public assistance to understand the joy in learning and importance of working to achieve objectives, with "hopes and dreams for the future" in mind, and have them attain one goal, thereby providing them with opportunities to have confidence in themselves.

#### Outline

Five children in the fourth and fifth grades of elementary schools in Maebashi-shi attended the program. They visited a plant of a home builder in Numata-shi, received lectures and experienced easy carpentry jobs, and also visited a model house exhibition site. Furthermore, they had discussions on the importance of and difficulties in working at a "Job Meeting" held at a university in Maebashi-shi. The Foundation carries out this program in collaboration with Maebashi-shi, with the cooperation of the Northern Kanto branch of the Supporting Union for Practical-use of Educational Resources.



### 2 Self-reliance Support Offer Self-reliance Support for Graduates from Children's Institutions

#### Objective

Graduates from children's institutions often face various social and financial problems upon setting up their independent living as they basically cannot receive support from their parents. This activity aims to break the cycle of poverty through offering financial support for their independence by providing them with necessary home appliances free of charge.

#### Outline

The Foundation gave a set of home appliances necessary for independent living (refrigerator, washing machine, microwave oven, rice cooker and vacuum cleaner) to 12 graduates from children's institutions. Home appliances are prepared with the cooperation of C.I.C. Corporation, a Yamada Denki group company engaging in the recycling business.

The Foundation will hear opinions regarding the status and effectiveness of this support from teachers of the children's institutions from which the recipients graduated this spring. The timing for inviting applications and the selection of home appliances for the next fiscal year will be reviewed in order to sustainably continue this activity.

Achievement	(units)
Refrigerators	8
Washing machines	7
Microwave ovens	10
Rice cookers	9
Vacuum cleaners	10

## B.P.C. Co., Ltd., Best Denki Group Contribution to Local Communities through Employment of People with Disabilities

B.P.C. Co., Ltd. located in Fukuoka-shi hires many severely disabled people in light of the significance of making contributions to local communities and fulfilling its social responsibility. The company was established in 1994 as a joint public-private enterprise also funded by Fukuoka Prefecture, Fukuoka-shi, and local banks. The company receives orders for data management for printed matters and money coupons, etc. from the parent company, Best Denki, the prefecture, municipalities and schools, and serves as a model special subsidiary company of Fukuoka-shi, attracting many observers and visitors from companies and facilities for people with disabilities.

Employees commute by car from Fukuoka-shi and neighboring areas. Of 29 employees (26 males and 3 females), 22 are people with some disabilities, such as those with an impediment to the leg who use a wheelchair or a stick, those with internal diseases, or those with hearing impairment. Basically, there is no overtime work, and the retention rate is very high as employees highly evaluate the comfortable working environment and content of the work and seldom resign. The facility is all barrier-free. Part of the parking lot has a roof

for those with an impediment to the leg so that they can move into the building without using an umbrella. As the facility is located within a residential area, due consideration is given to noise during printing work and employees clean nearby parks a few times a month to deepen friendly relationships with local residents.

B.P.C. Co., Ltd. will maintain and expand employment, while making efforts to stabilize its business, and will continuously contribute to local communities through hiring people with disabilities.



Yamada Wood House Co., Ltd.

## Received Good Design Award

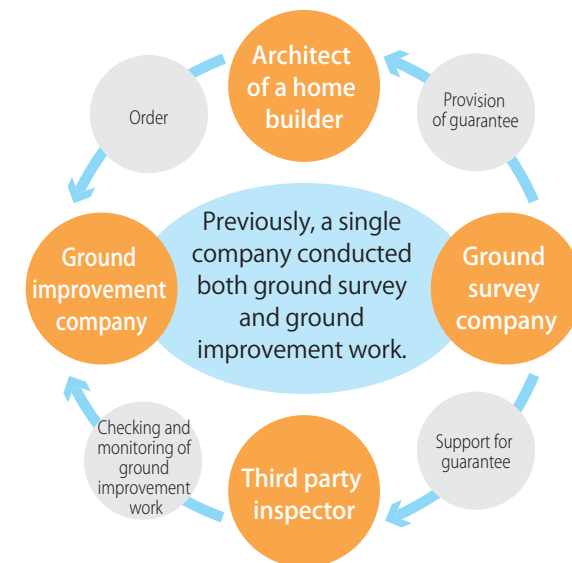
The Good Design Award is a comprehensive design-promotion system operated by the Japan Institute of Design Promotion with the aim of enriching people's lives, industries and society as a whole through selecting and commending good design out of a variety of unfolding phenomena. Yamada Wood House received the Good Design Award for its ground survey and improvement mechanism, and builder development program.

### 1 Ground Survey and Improvement Mechanism

Yamada Wood House reviewed conventional mechanisms for ground surveys for constructing new houses which had been broadly employed in the industry, and created a new system better for consumers. The company's efforts were highly evaluated.

Previously, a single company conducted both ground survey and ground improvement work. Such practice, wherein a single company conducts a ground survey, designs ground improvements and places an order, often caused unnecessary improvement works. The whole process contained unclear parts as there was no involvement of a third party. Ground improvement works were conducted at the percentage of around 80% after ground surveys, but it is questioned whether all were truly necessary. Ground improvement works also pose such problems as an increase in cost beyond initial plans and noise during the works.

Therefore, Yamada Wood House focused attention on the separation of companies conducting ground surveys and those conducting ground improvement works. Additionally, through the introduction of the principle of competition by making multiple companies present competitive quotes and the elimination of intermediate costs, the total cost can be reduced by around 8.5%. Yamada Wood House will further disseminate this system together with around 200 cooperative builders nationwide with which it has conducted joint purchase of materials, etc.

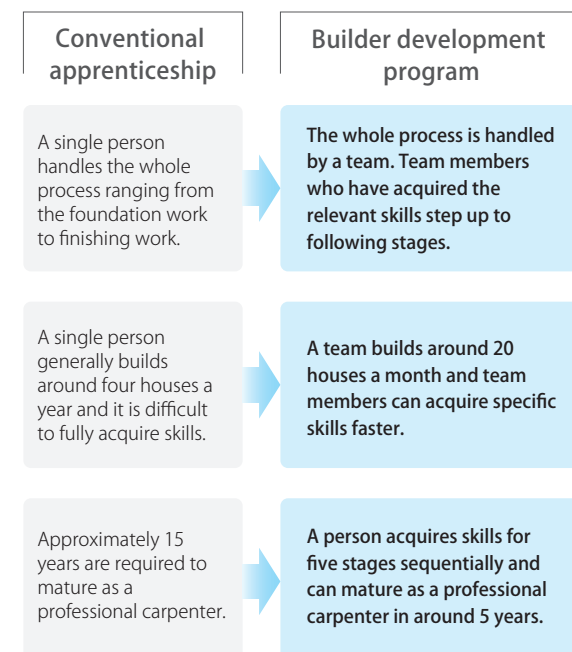


### 2 Builder Development Program

Yamada Wood House reformed the conventional carpenter development system based on apprenticeship. Its program to divide the home building process into five stages and have trainees intensively learn skills for each stage through repeated practice was highly evaluated.

A labor shortage is becoming serious for craftspeople in general, not limited to carpenters. Additionally, carpentry skills are becoming polarized: high-level skills are required for shrine carpenters but only simple skills, not traditional carpentry skills, suffice for assembling pre-cut building materials. While high-performance houses superior in energy efficiency, quake-resistance, and durability, etc. are increasingly required, the conventional carpenter development system based on apprenticeship is rather time-consuming for training carpenters for mass production houses, which consist of many pre-cut building materials, and also falls short of securing the quality of trained carpenters.

Yamada Wood House, jointly with Sugiuchi Home Builder in Gunma Prefecture, filed an application for a new builder development method. Under the conventional apprenticeship, a single carpenter needs to complete the whole home building process and it is difficult to learn and acquire skills for each stage. The new system introduces an intensive learning method by stage to enable trainees to acquire skills for the relevant stage faster, and the wage increase system in accordance with stage levels highly motivates trainees. As the whole process is divided into stages, a broader range of people, including women and elderly people, can take part in. The system enables the acquisition of certain skills in around five years, although it is said to require as many as 15 years or so to mature as a professional carpenter under the conventional system. The company is planning to expand this new system nationwide by making the most of its network.





# Governance and Compliance

Yamada Denki aims to conduct sustainable corporate activities in a transparent and fair manner in order to be a company trusted by society.

We strive to consistently enhance our corporate value and shareholder value by establishing a management organization that ensures quick decision-making concerning management affairs.

## Corporate Governance

Yamada Denki realizes clarification of management responsibility and quick decision-making through weekly PDCA (plan-do-check-act) cycles under an organic and flexible structure consisting of the CSR Committee, other committees and subcommittees.

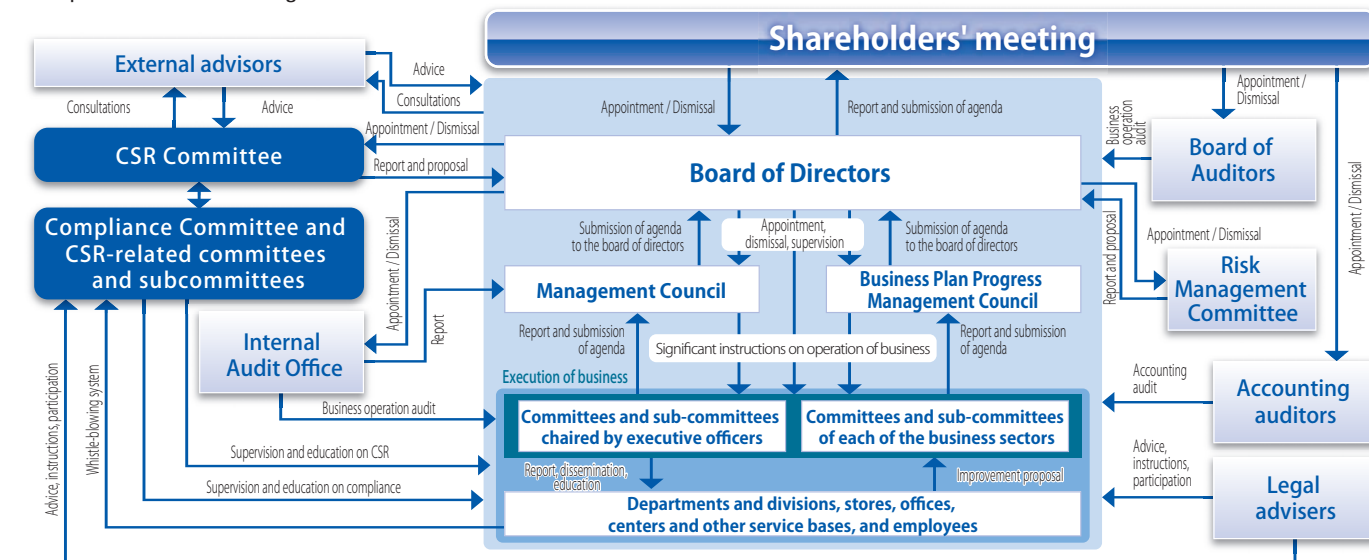
### Adoption and Implementation of CSR-focused Management

Yamada Denki adopts a board of auditors system under which the execution of business is supervised and monitored by the board of directors and the board of auditors. The executive officer system is introduced so as to enable quick response to changes in the business environment by clearly separating the function of management decision making and supervision and the function of business operation. The top management team is comprised of the following three: Representative Director, Chairman and Chair of Board of Directors; Representative Director, Vice Chairman and CEO, and President-Director, Representative Director and COO. Under the top management team are various business departments, committees and subcommittees, with executive officers being in charge of specific business operations. The system thus clarifies management responsibility.

In addition to the Compliance Committee, Internal Audit Office and Risk Management Committee, we position corporate social responsibility (CSR) as the core of our management philosophy and have set up the CSR Committee. We established the Code of Ethics and corporate code that concretely specify our CSR approaches. These codes approved by the board of directors have been disseminated within and outside group companies to ensure full understanding of the significance of fulfilling CSR.

Under these systems, we are striving to materialize our basic idea on corporate governance of consistently enhancing our corporate value and shareholder value by carrying out fair corporate activities through highly transparent business management.

►Corporate Governance Organization Chart



#### Board of Directors

The board of directors consisting of 16 directors (including two external directors) holds a regular meeting once a month and extraordinary board meetings as needed, where important matters are discussed, the business performances are reported, and necessary actions are taken promptly. In addition to two external directors, two external auditors participate in the meetings.

#### Management Council

The Management Council holds a meeting every week in principle, excluding weeks when a board meeting is held. Management issues and the execution of business of each executive officer are reported and necessary actions are taken promptly.

#### Internal Audit Office

In order to improve internal audits, seven internal audits directly under the president are appointed and they conduct routine audits, supervise inventory review and do internal checks, etc. Auditors and an auditing firm exchange information and actively cooperate with each other and conduct audits in order to check whether corporate activities are conducted in an appropriate and efficient manner.

## Compliance

Recognizing compliance as a critical corporate management issue, Yamada Denki endeavors to thoroughly ensure it by holding study meetings and carrying out awareness raising activities for employees throughout the year.

### Compliance Committee Meeting Held Once a Week

To ensure company-wide awareness and practice of compliance, we have established the Compliance Committee chaired by the responsible executive director. The Compliance Committee holds a meeting every week. Based on monthly themes, the Committee identifies problems and discusses countermeasures and remediation, and if necessary, takes actions for improvement.

### Utilization of the Whistle-blowing System

Yamada Denki adopts the whistleblowing system for receiving reports from inside and outside the company. This is an in-house system established mainly for the purpose of compliance, but any reports concerning human rights or discrimination are also accepted. The contents of reports are dealt with while making adjustments with relevant departments.

### Efforts to Protect Personal Information of Customers Involving Business Partners

Yamada Denki is making consistent efforts to ensure appropriate management of its large database of personal information of customers. Our headquarters has obtained the certification for Information Security Management System (ISMS) and the Yamada Denki Group as a whole has established an information management system based thereon. We also ensure that companies directly and indirectly commissioned to conduct our business operations establish a management system similar to our system by appointing managers in charge of personal information and information security.



## Fair Business Transactions

Yamada Denki aims to achieve co-existence and co-prosperity with manufacturers and other business partners based on fair business practices by maintaining sound and transparent relationships and establishing long-term relationships of trust that are beneficial to both of us.

### Basic Concept on Fair Business Transactions

In October 2011, Yamada Denki disclosed its Sourcing Policy to business partners and has placed even and fair business transactions as a major pillar of its CSR-focused management.

Yamada Denki has transactions with various business partners, including domestic major electric appliance manufacturers and daily commodity manufacturers, as well as wholesalers. Many domestic electric appliance manufacturers, in particular, have excellent expertise concerning CSR and a larger number of them have conducted advanced efforts compared with those in other industries. Yamada Denki aims to build sound partnerships with business partners based on the respective knowledge on each side, while mutually deepening understanding of respective CSR activities and sharing information on corporate social responsibility.

### Questionnaire Survey with Business Partners

Based on the Code of CSR Ethics, the Yamada Denki Group promotes compliance with environmental, social and ethical laws and regulations. Currently, compliance covering the entirety of the value chain is considered to be important. Goods and services of the Yamada Denki Group are provided to customers via a number of domestic and foreign corporations, but we would like to ensure that relevant laws and regulations are thoroughly observed throughout that process and that the goods and services we provide are free from any environmental, social or ethical problems. Therefore, the Yamada Denki Group conducts a questionnaire survey once a year targeting major business partners and all group companies based on the established Yamada Denki's Sourcing Policy. We are committed to continuing efforts for compliance covering our supply chain as a whole.

### Yamada Denki's Sourcing Policy

#### 1. Compliance

- Strictly observe applicable laws and international rules.

#### 2. Respect for Human Rights

- Respect human rights and personal dignity to prohibit inhumane acts in all business activities.
- No child labor, discrimination, and physical, mental and sexual harassment
- Have dialogue with the representatives of employees to maintain robust relationships with them.
- Respect employees' rights on freedom of association and collective bargaining.

#### 3. Labor and Employment

- Pay the workers properly in compliance with the local laws and regulations.
- Prohibit forced labor.
- Comply with the appropriate working hours stipulated by local laws and regulations.
- Take safety measures for machines and equipment at workplaces and ensure safety and hygiene of the facilities.
- Perform regular disaster prevention training, and ensure evacuation routes in an emergency or upon a disaster.
- Give due consideration to physically taxing work.
- Give due consideration to employees' physical and mental health management.
- Strive to reduce occupational accidents and diseases.

#### 4. Environmental Conservation

- Comply with environmental laws and regulations and strive to reduce environmental impact and prevent pollution.
- Regularly ascertain and review environmental performance.
- Use energy efficiently and make efforts to conserve energy.
- Strive to reduce greenhouse gas emissions.
- Strive to conserve resources, and recycle and reuse resources.
- Appropriately manage and dispose of waste.
- Properly use water resources and take water-saving actions.
- Make efforts to mitigate negative influences of noise and odor.
- Make efforts to prevent contamination of air, water, soil and groundwater, etc.
- Make efforts to preserve biodiversity and the ecosystem.

#### 5. Fair Transactions

- Ensure fair and transparent trade in free and fair competition.
- Adopt a hard-line stance against antisocial forces.
- Regularly confirm that the suppliers are in compliance with the legal requirements on fair trade.
- Prohibit corruption and bribes.
- Protect intellectual property based on local laws and regulations and international rules.
- Observe trade regulations.
- Properly disclose information.
- Put in place whistle-blowing offices in and outside the company.

#### 6. Assurance of Product Safety

- Improve and maintain the quality and safety of goods and products.
- Make proper responses for product defects or other accident in compliance with local laws and regulations.

#### 7. Information Handling

- Rigorously manage information and prohibit illegal usage.
- Regularly check compliance with the Personal Information Protection Act and other related acts.

#### 8. Coexistence with and Contribution to Local Communities

- Maintain favorable relationships with local communities and promote local contribution activities.



# Financial Summary

Major Financial Data for 10 Years

		31 <sup>st</sup> March 2008	32 <sup>nd</sup> March 2009	33 <sup>rd</sup> March 2010
Consolidated sales	million yen	1,767,818	1,871,828	2,016,140
Consolidated operating profit	million yen	65,424	49,522	87,303
Consolidated ordinary income	million yen	81,652	64,604	101,586
Current net profit belonging to parent company's shareholders	million yen	49,174	33,207	55,947
Net assets	million yen	326,937	356,452	406,381
Total assets	million yen	750,213	778,489	899,612
ROA	%	6.6	4.3	6.2
ROE	%	15.9	9.8	14.8
Net assets per share	yen	3,443.63	3,757.06	4,297.29
Basic earnings per share	yen	511.83	353.32	594.26
Diluted earnings per share	yen	509.90	352.47	593.84
Stated capital	100 million yen	705	707	710
Equity ratio	%	43.1	45.4	45.0
Price earnings ratio	times	16.80	10.92	11.61
Net cash used in operating activities	million yen	26,934	50,498	133,718
Net cash used in investing activities	million yen	△123,305	△67,347	△108,218
Net cash used in financing activities	million yen	120,569	△307	8,555
Cash and cash equivalents at end of year	million yen	65,029	47,956	83,045

	34 <sup>th</sup> March 2011	35 <sup>th</sup> March 2012	36 <sup>th</sup> March 2013	37 <sup>th</sup> March 2014	38 <sup>th</sup> March 2015	39 <sup>th</sup> March 2016	40 <sup>th</sup> March 2017
	2,153,259	1,835,454	1,701,489	1,893,971	1,664,370	1,612,735	<b>1,563,056</b>
	122,764	88,978	33,930	34,265	19,918	58,158	<b>57,895</b>
	137,847	102,225	47,906	50,187	35,537	62,734	<b>66,040</b>
	70,754	58,265	22,203	18,666	9,340	30,395	<b>34,528</b>
	470,849	526,743	555,391	553,354	509,397	557,722	<b>585,547</b>
	929,010	937,841	1,138,389	1,196,288	1,122,407	1,146,722	<b>1,159,456</b>
	7.6	6.2	2.1	1.6	0.8	2.7	<b>3.0</b>
	16.2	11.8	4.2	3.5	1.8	6.0	<b>6.3</b>
	4,978.38	5,516.15	565.33	592.17	643.03	666.03	<b>697.46</b>
	751.03	618.46	23.56	20.21	11.73	38.22	<b>43.00</b>
	-	-	-	20.21	11.72	38.16	<b>42.89</b>
	710	710	710	710	710	710	<b>710</b>
	50.5	55.4	46.8	44.2	43.2	46.6	<b>48.4</b>
	7.47	8.36	18.22	17.01	42.18	13.92	<b>12.91</b>
	93,071	34,259	△12,789	45,148	22,982	△23	<b>43,855</b>
	△25,237	△38,063	△39,232	△38,606	△20,232	△13,437	<b>△15,279</b>
	△45,940	△24,361	47,174	△7,646	△41,487	4,732	<b>△24,382</b>
	104,814	76,344	77,906	77,754	39,691	30,664	<b>34,981</b>

Notes: 1. Net sales do not include consumption tax.  
2. Diluted earnings per share for the 34th, 35th and 36th business years are not indicated because there were no securities with dilutive effects.  
3. Yamada Denki conducted a 10-for-1 stock split on common stock as of October 1, 2013. Net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 36th business year.



## Consolidated Balance Sheets

		(million yen)	
		The previous fiscal year (March 31, 2016)	The current fiscal year (March 31, 2017)
<b>Assets</b>	Current assets		
	Cash and time deposits	31,604	<b>35,341</b>
	Notes and accounts receivable	59,249	<b>56,868</b>
	Merchandise and finished goods	356,075	<b>373,114</b>
	Work in process	2,303	<b>2,580</b>
	Raw materials and supplies	3,103	<b>3,355</b>
	Deferred tax assets	12,274	<b>9,309</b>
	Other current assets	43,049	<b>44,629</b>
	Allowance for doubtful accounts	△7,393	<b>△6,714</b>
	Total current assets	500,266	<b>518,484</b>
	Non-current assets		
	Property and equipment		
	Buildings and structures (net)	224,663	<b>220,476</b>
	Land	184,484	<b>187,895</b>
	Lease assets (net)	10,660	<b>10,355</b>
	Construction in progress	7,379	<b>853</b>
	Others (net)	11,417	<b>12,685</b>
	Total property and equipment	438,606	<b>432,266</b>
	Intangible assets	35,476	<b>33,526</b>
	Investments and other assets		
	Investment securities	4,042	<b>5,186</b>
	Long-term loans receivable	9,499	<b>12,582</b>
	Retirement benefit assets	1,755	<b>2,009</b>
	Deferred tax assets	13,643	<b>16,794</b>
	Guarantee deposits	113,333	<b>108,225</b>
	Other assets	35,967	<b>36,277</b>
	Allowance for doubtful accounts	△5,868	<b>△5,896</b>
	Total investments and other assets	172,373	<b>175,180</b>
	Total non-current assets	646,455	<b>640,972</b>
	Total assets	1,146,722	<b>1,159,456</b>

		(million yen)	
		The previous fiscal year (March 31, 2016)	The current fiscal year (March 31, 2017)
<b>Liabilities</b>	Current liabilities		
	Notes and accounts payable	79,950	<b>82,372</b>
	Short-term loans payable	67,695	<b>77,155</b>
	Current portion of long-term loans payable	59,212	<b>58,083</b>
	Lease obligations	2,512	<b>2,537</b>
	Corporation taxes payable	14,629	<b>12,481</b>
	Provision for bonuses	8,064	<b>7,601</b>
	Provision for directors' bonuses	114	<b>124</b>
	Provision for point card certificates	17,073	<b>10,790</b>
	Provision for warranties for completed construction	192	<b>210</b>
	Provision for losses on liquidation of affiliated companies	320	<b>293</b>
	Other current liabilities	46,796	<b>49,598</b>
	Total current liabilities	296,561	<b>301,248</b>
	Long-term liabilities		
	Bonds	100,316	<b>100,216</b>
	Long-term loans payable	105,155	<b>85,559</b>
	Lease obligations	11,428	<b>11,322</b>
	Provision for directors' retirement benefits	536	<b>572</b>
	Provision for product warranties	12,522	<b>11,683</b>
	Provision for losses on interest repayments	245	<b>190</b>
	Provision for gift certificates, etc.	287	<b>276</b>
	Retirement benefit liabilities	23,700	<b>24,763</b>
	Asset retirement obligations	24,306	<b>24,748</b>
	Other long-term liabilities	13,938	<b>13,327</b>
	Total long-term liabilities	292,438	<b>272,661</b>
	Total liabilities	589,000	<b>573,909</b>
<b>Net assets</b>	Shareholders' equity		
	Stated capital	71,058	<b>71,058</b>
	Capital surplus	73,001	<b>73,734</b>
	Retained earnings	458,107	<b>480,846</b>
	Treasury stock	△68,231	<b>△67,213</b>
	Total shareholders' equity	533,936	<b>558,426</b>
	Accumulated other comprehensive income		
	Valuation difference on available-for-sale securities	934	<b>1,221</b>
	Foreign currency translation adjustments	△1,966	<b>△485</b>
	Accumulated adjustments for retirement benefit obligations	1,488	<b>2,161</b>
	Total of accumulated other comprehensive income	456	<b>2,897</b>
	Subscription rights to shares	521	<b>843</b>
	Non-controlling interests	22,807	<b>23,380</b>
	Total net assets	557,722	<b>585,547</b>
	Total liabilities and net assets	1,146,722	<b>1,159,456</b>



## Consolidated Statements of Income

	(million yen)	
	The previous fiscal year (from April 1, 2015 to March 31, 2016)	The current fiscal year (from April 1, 2016 to March 31, 2017)
Sales	1,612,735	<b>1,563,056</b>
Cost of sales	1,153,234	<b>1,107,856</b>
Gross profit	459,501	<b>455,199</b>
Selling, general and administrative expenses	401,342	<b>397,304</b>
Operating income	58,158	<b>57,895</b>
Non-operating income		
Interest income	1,168	<b>1,080</b>
Purchase discounts	6,961	<b>6,314</b>
Rent income	2,963	<b>4,113</b>
Sales of electric power	1,807	<b>1,922</b>
Others	4,448	<b>4,324</b>
Total other income	17,349	<b>17,755</b>
Non-operating expenses		
Interest expenses	1,742	<b>1,452</b>
Foreign exchange (loss) gain	4,054	<b>1,782</b>
Rent expenses	2,317	<b>3,616</b>
Rental expenses	2,330	<b>693</b>
Cost of sale of electric power	828	<b>786</b>
Others	1,498	<b>1,278</b>
Total non-operating expenses	12,772	<b>9,610</b>
Ordinary income	62,734	<b>66,040</b>
Extraordinary income		
Gain on sale of non-current assets	103	<b>139</b>
Gain on sale of affiliated companies shares	741	-
Gain on sale of investment securities	549	-
Insurance income	353	-
Others	96	-
Total extraordinary income	1,843	<b>139</b>
Extraordinary loss		
Loss on disposal of non-current assets	358	<b>583</b>
Impairment loss	7,781	<b>6,083</b>
Loss due to disasters	-	<b>1,147</b>
Loss on closing of stores	4,389	-
Others	979	<b>1,483</b>
Total extraordinary loss	13,508	<b>9,297</b>
Net income before taxes	51,070	<b>56,882</b>
Corporation tax, resident tax and enterprise tax	18,810	<b>20,972</b>
Deferred corporation taxes	327	<b>△680</b>
Total corporation taxes	19,138	<b>20,291</b>
Current net profit	31,932	<b>36,590</b>
Current net profit belonging to non-controlling interests	1,536	<b>2,062</b>
Current net profit belonging to parent company's shareholders	30,395	<b>34,528</b>

## Consolidated Statements of Comprehensive Income

	(million yen)	
	The previous fiscal year (from April 1, 2015 to March 31, 2016)	The current fiscal year (from April 1, 2016 to March 31, 2017)
Current net profit	31,932	<b>36,590</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,041	<b>382</b>
Foreign currency translation adjustments	767	<b>1,419</b>
Adjustments for retirement benefit obligations	898	<b>980</b>
Share of other comprehensive income of associates accounted for using equity method	△0	<b>0</b>
Total of other comprehensive income	624	<b>2,782</b>
Comprehensive income	32,556	<b>39,373</b>
(breakdown)		
Comprehensive income attributable to owners of parent	31,935	<b>36,969</b>
Comprehensive income attributable to non-controlling interests	621	<b>2,403</b>

## Consolidated Statement of Changes in Shareholders' Equity, etc.

	(million yen)				
	Shareholders' equity				
	Stated capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
The previous fiscal year (from April 1, 2015 to March 31, 2016)					
Balance at beginning of year	71,058	70,977	432,236	△88,320	485,951
Changes in the year					
Cash dividends			△4,524		△4,524
Current net profit belonging to parent company's shareholders			30,395		30,395
Purchase of treasury stock				△0	△0
Disposal of treasury stock		2,671		20,088	22,760
Increase by merger			0		0
Purchase of shares of consolidated subsidiaries		△647			△647
Other changes in the year (net)					
Total changes in the year	-	2,024	25,871	20,088	47,984
Balance at end of year	71,058	73,001	458,107	△68,231	533,936

	Accumulated other comprehensive income				Subscription rights to shares	Non- controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit obligations	Total of accumulated other comprehensive income			
Balance at beginning of year	1,598	△2,770	89	△1,082	297	24,231	509,397
Changes in the year							
Cash dividends							△4,524
Current net profit belonging to parent company's shareholders							30,395
Purchase of treasury stock							△0
Disposal of treasury stock							22,760
Increase by merger							0
Purchase of shares of consolidated subsidiaries							△647
Other changes in the year (net)	△664	804	1,399	1,539	224	△1,424	339
Total changes in the year	△664	804	1,399	1,539	224	△1,424	48,324
Balance at end of year	934	△1,966	1,488	456	521	22,807	557,722

	(million yen)				
	Shareholders' equity				
	Stated capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
The current fiscal year (from April 1, 2016 to March 31, 2017)					
Balance at beginning of year	71,058	73,001	458,107	△68,231	533,936
Changes in the year					
Cash dividends			△9,628		△9,628
Current net profit belonging to parent company's shareholders			34,528		34,528
Disposal of treasury stock		△0		6	6
Change in scope of consolidation			△2,161		△2,161
Purchase of shares of consolidated subsidiaries		733		1,010	1,744
Other changes in the year (net)					
Total changes in the year	-	733	22,738	1,017	24,489
Balance at end of year	71,058	73,734	480,846	△67,213	558,426

	Accumulated other comprehensive income				Subscription rights to shares	Non- controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit obligations	Total of accumulated other comprehensive income			
Balance at beginning of year	934	△1,966	1,488	456	521	22,807	557,722
Changes in the year							
Cash dividends							△9,628
Current net profit belonging to parent company's shareholders							34,528
Disposal of treasury stock							6
Change in scope of consolidation							△2,161
Purchase of shares of consolidated subsidiaries							1,744
Other changes in the year (net)	286	1,480	672	2,440	322	572	3,335
Total changes in the year	286	1,480	672	2,440	322	572	27,825
Balance at end of year	1,221	△485	2,161	2,897	843	23,380	585,547



## Consolidated Statements of Cash Flows

	(million yen)	
	The previous fiscal year (from April 1, 2015 to March 31, 2016)	The current fiscal year (from April 1, 2016 to March 31, 2017)
Net cash used in operating activities		
Net income before taxes	51,070	<b>56,882</b>
Depreciation	21,783	<b>19,460</b>
Impairment loss	7,781	<b>6,083</b>
Amortization of goodwill	452	<b>138</b>
Increase (decrease) in provision for point card certificates (△ represents a decrease)	△3,854	<b>△6,281</b>
Increase (decrease) in provision for product warranties (△ represents a decrease)	△1,582	<b>△839</b>
Increase (decrease) in allowance for doubtful accounts (△ represents a decrease)	△1,306	<b>△242</b>
Increase (decrease) in retirement benefit liabilities (△ represents a decrease)	899	<b>1,787</b>
Interest and dividend income	△1,299	<b>△1,189</b>
Interest expenses	1,742	<b>1,452</b>
Foreign exchange loss (gain) (△ represents a gain)	3,842	<b>1,927</b>
Loss (gain) on sale of affiliated companies shares (△ represents a gain)	△741	-
Loss (gain) on sale of investment securities (△ represents a gain)	△562	<b>△1</b>
Insurance income	△353	-
Loss (gain) on sale and disposal of property and equipment (△ represents a gain)	358	<b>583</b>
Loss on closing of stores	4,389	-
Increase (decrease) in notes and accounts receivable (△ represents an increase)	△10,566	<b>2,106</b>
Increase (decrease) in advances received (△ represents a decrease)	△1,942	<b>△1,239</b>
Increase (decrease) in inventories (△ represents an increase)	△41,203	<b>△16,687</b>
Increase (decrease) in notes and accounts payable (△ represents a decrease)	△8,273	<b>2,354</b>
Increase (decrease) in accounts receivable (△ represents an increase)	3,193	<b>△3,877</b>
Increase (decrease) in consumption taxes, etc. payable (△ represents a decrease)	△9,484	<b>4,010</b>
Increase (decrease) in other current assets (△ represents an increase)	△288	<b>△58</b>
Increase (decrease) in other current liabilities (△ represents a decrease)	△4,435	<b>559</b>
Others	△1,467	<b>2,430</b>
Sub-total	8,150	<b>69,359</b>
Interest and dividend income received	350	<b>254</b>
Interest expenses paid	△1,709	<b>△1,463</b>
Corporation taxes paid or refunds (△ represents payment)	△7,167	<b>△24,295</b>
Proceeds from insurance income	353	-
Net cash used in operating activities	△23	<b>43,855</b>

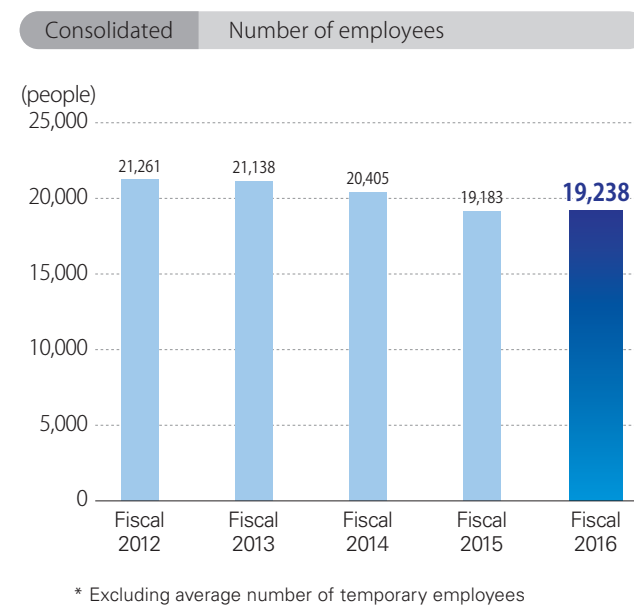
	(million yen)	
	The previous fiscal year (from April 1, 2015 to March 31, 2016)	The current fiscal year (from April 1, 2016 to March 31, 2017)
Net cash used in investing activities		
Payments into time deposits	△901	<b>△480</b>
Proceeds from withdrawal of time deposits	1,208	<b>1,996</b>
Purchases of property and equipment	△21,288	<b>△17,455</b>
Proceeds from sale of property and equipment	1,538	<b>489</b>
Purchases of intangible assets	△611	<b>△786</b>
Payments for guarantee deposits	△2,923	<b>△3,051</b>
Proceeds from collection of guarantee deposits	8,798	<b>8,601</b>
Proceeds from sales and redemption of investment securities	1,311	<b>288</b>
Proceeds from sale of shares in subsidiaries resulting in change in scope of consolidation	968	-
Purchases of affiliated companies shares	-	<b>△589</b>
Payment of loans receivable	△2,190	<b>△5,734</b>
Collection of loans receivable	1,030	<b>979</b>
Others	△376	<b>462</b>
Net cash used in investing activities	△13,437	<b>△15,279</b>
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable (△ represents a decrease)	△10,785	<b>9,460</b>
Proceeds from long-term loans payable	56,480	<b>40,600</b>
Repayments of long-term loans payable	△55,591	<b>△61,325</b>
Purchase of treasury stock	△0	-
Proceeds from disposal of treasury stock	22,744	<b>0</b>
Repayments of lease obligations	△2,740	<b>△3,600</b>
Proceeds from sales and leasebacks	1,187	<b>194</b>
Cash dividends paid	△4,524	<b>△9,625</b>
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△1,952	-
Others	△85	<b>△85</b>
Net cash used in financing activities	4,732	<b>△24,382</b>
Effect of exchange rate change on cash and cash equivalents	△396	<b>△307</b>
Increase (decrease) in cash and cash equivalents (△ represents a decrease)	△9,124	<b>3,887</b>
Cash and cash equivalents at beginning of year	39,691	<b>30,664</b>
Increase (decrease) in cash and cash equivalents resulting from a change in scope of consolidation (△ represents a decrease)	-	<b>351</b>
Increase (decrease) in cash and cash equivalents resulting from mergers of consolidated subsidiaries (△ represents a decrease)	-	<b>78</b>
Increase in cash and cash equivalents resulting from mergers with non-consolidated subsidiaries	97	-
Cash and cash equivalents at end of year	30,664	<b>34,981</b>



## Outline of the Yamada Denki Group

# Yamada Denki Corporate Profile

Company name	Yamada Denki Co., Ltd.
Representative Director, Chairman	YAMADA Noboru
Representative Director, Vice Chairman	ICHIMIYA Tadao
President- Director	KUWANO Mitsumasa
Headquarters address	370-0841, 1-1, Sakae-cho, Takasaki-shi, Gunma
Founded	April 1973
Organized	September 1983
Stated capital	71 billion yen on a consolidated basis (March 2017)
Total assets	1159.4 billion yen on a consolidated basis (March 2017)
Capital adequacy ratio	48.4% on a consolidated basis (March 2017)
Number of employees	19,238 people* on a consolidated basis (March 2017)
Total outstanding shares	966,489,740 shares (March 2017)



\* Excluding average number of temporary employees

## List of Group Companies

## Consolidated subsidiaries

Okinawa Yamada Denki Co., Ltd.  
C.I.C Corporation  
Inversenot Co., Ltd.  
Cosmos Berry's Co., Ltd.  
Matsuya Denki Co., Ltd.  
Seidensha Corporation Limited  
Yamada Financial Co., Ltd.  
Kyushu Tecc Land Co., Ltd.  
Project White Co., Ltd.  
Y's Select Co., Ltd.  
Yamada Wood House Co., Ltd.  
Yamada SxL Home Co., Ltd.  
SxL Juko Co., Ltd.  
SxL Housing Co., Ltd.  
Ace Home Co., Ltd.  
Conglo Engineering Co., Ltd.

Best Denki Co., Ltd.  
Best Service Co., Ltd.  
Repair DEPOT Co., Ltd.  
J-Staff Co., Ltd.  
Best Credit Service Co., Ltd.  
B.P.C. Co., Ltd.  
Kurokawa Denki Co., Ltd.  
Best Financial Co., Ltd.  
Housetec Inc.  
Nikka Maintenance Co., Ltd.  
Chubu Nikka Service Co., Ltd.  
Yamada Denki (Shenyang) Commercial Co., Ltd.  
Yamada Denki (China) Investment Co., Ltd.  
BEST DENKI MALAYSIA SDN.BHD.  
BEST DENKI (SINGAPORE) PTE.LTD.

## Major unconsolidated subsidiaries

Y-Just Co., Ltd.  
TES Co., Ltd.  
Gunma Sogo-Setsubi Co., Ltd.  
Azuma Metal Co., Ltd.  
YAMADA FINANCE Co., Ltd.  
Yamada Trading Co., Ltd.

## Affiliated companies

Y.U-mobile Co., Ltd.

## Group Network

(as of March 31, 2017)

Number of stores directly operated by the Yamada Denki Group by prefecture		
Hokkaido	Hokkaido	50
	Aomori	10
Tohoku	Iwate	13
	Miyagi	19
	Akita	11
	Yamagata	12
	Fukushima	15
Kanto	Ibaraki	15
	Tochigi	16
	Gunma	19
	Saitama	37
	Chiba	39
	Tokyo	51
	Kanagawa	39
	Niigata	20
Koshinetsu and Hokuriku	Toyama	13
	Ishikawa	9
	Fukui	6
	Yamanashi	5
	Nagano	20
Tokai	Gifu	10
	Shizuoka	15
	Aichi	46
	Mie	11
Kansai	Shiga	8
	Kyoto	14
	Osaka	38
	Hyogo	32
	Nara	8
Chugoku	Wakayama	6
	Tottori	5
	Shimane	8
	Okayama	21
Shikoku	Hiroshima	15
	Yamaguchi	17
	Tokushima	9
	Kagawa	12
Kyushu and Okinawa	Ehime	8
	Kochi	10
	Fukuoka	77
	Saga	17
	Nagasaki	18
	Kumamoto	34
	Oita	20
	Miyazaki	21
Kagoshima	20	
Okinawa	16	

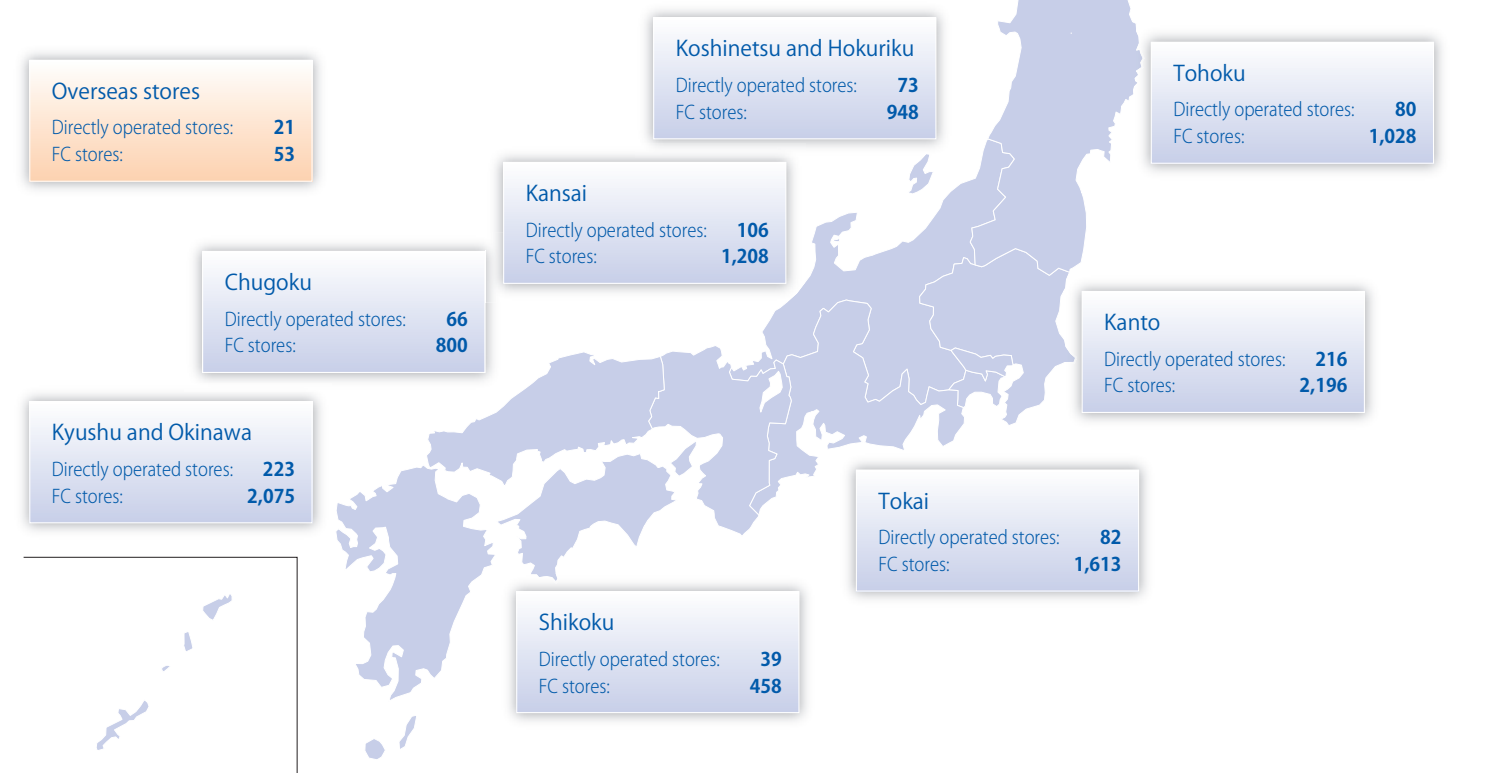
Number of directly operated stores in Japan	
Yamada Denki	649
Okinawa Yamada Denki	7
Matsuya Denki	85
Seidensha	7
Y's Select	5
Kyushu Tecc Land	30
Project White	10
Best Denki	142
Total: 935	

Number of FC stores in Japan	
Cosmos Berry's FC	10,858
Best Denki FC	175
Matsuya Denki FC	33
Total: 11,066	

Number of overseas stores	
Directly operated stores	21
FC stores	53
Total: 74	

Total: 935	
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\*The number of FC stores is not included.



**Yamada Denki Group**  
**Store Network**  
**12,075**  
Stores